Section 4: Chapter 1:

The Psychological Aspects of Trading to WIN:

Perhaps the most important advice I can give you to assist you in becoming a winning trader in the futures markets, is say to you to only concentrate on one market and specialise in it totally.

You need to develop a special interest in the market you select to trade and you need to understand its habits.

Each individual market has a hard core of specialists who make their living trading only the one thing. You can't be a "Jack of all trades and a master of none" and be successful.

From time to time throughout my trading career I have moved from one thing to another. I first began trading Silver and then moved onto Gold. When the Gold market went into the doldrums I began trading individual equities. After some time I moved into equity futures and the local Share Price Index futures as the volumes increased. I have traded US T-Bonds when it was an 8% coupon but dropped it when they changed the contract specification to a 6% coupon contract. I traded numerous currencies over the years but found that when I was spreading myself around over more than one complex I was less effective in keeping on top of any of them. You will see by my writings over the years that I have followed and traded a wide range of markets and my techniques can be applied to most of them.

For a time I had a love affair with the Soybean market but when I could see the increasing interest in the S&P500 after electronic platforms became available I made it my new home.

On a week-to-week basis I often look to see what some of my old favourites are doing just out of interest. But for trading purposes I do not stray from the S&P now days.

I have seriously studied the habits of the S&P players; this gives me a clear advantage. It is not the professionals you make money from, it is by going with them over the top of the inexperienced that makes you easy money.

The S&P suits me because the information I get through the Bloomberg News service is all I need to stay informed. Professionals act on news and technical's, Bloomberg provides constant interviews with prominent traders.

You cannot trade effectively unless you have current information, the point is new fundamental news may quickly change the professional traders thinking.

It's no joke believe me and it applies to all trading occupations not just the futures markets.

Psychologically when you take a trade in a market where you are aware of all the outside influences, you take the trade based on knowledge of the technical position and your personal belief in how the traders have acted under similar circumstances in the past. This gives you a massive edge over the rest of the field.

As long as you understand that you have the edge you are more likely to handle the management of the trade a lot better than if you were working in the dark.

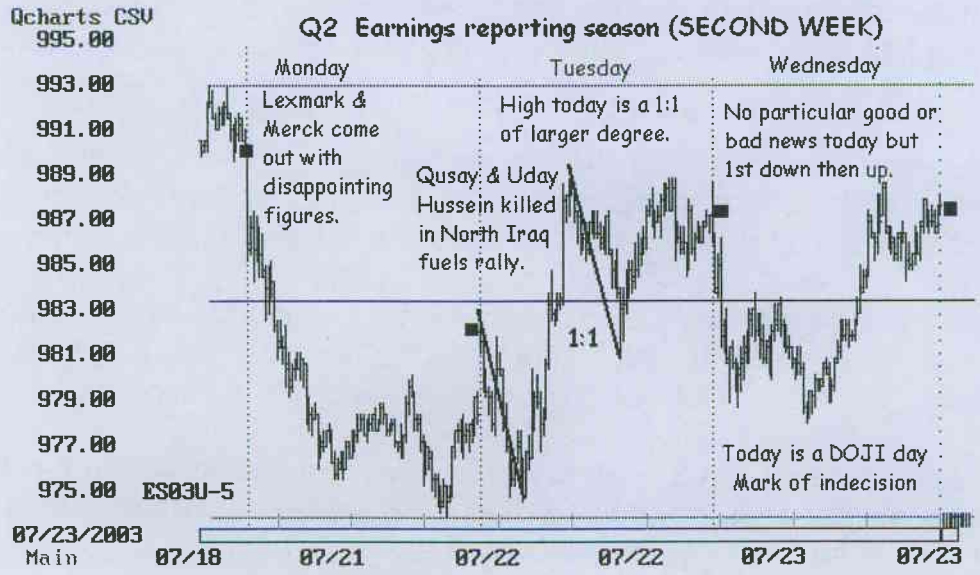
If you can just understand this much you can lift your trading results 10 fold.

STAY FOCUSED:

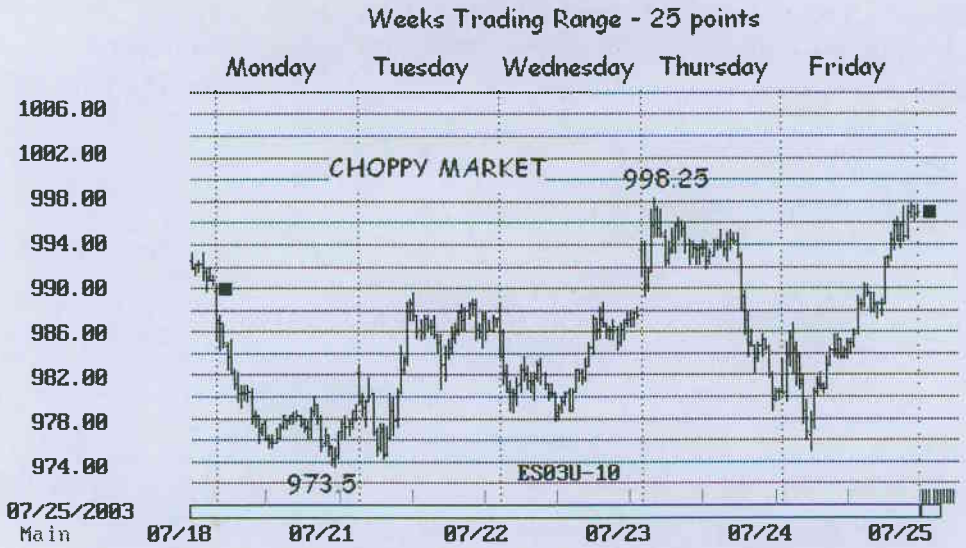
Market conditions are always changing and if you are not prepared to adjust with the market you will never make a consistent success of trading.

You always need to have a clear opinion on which direction the market is most likely to go. If you don't then you are better off to stand aside.

I'll give you an idea – I didn't trade today, I did on Tuesday and had a good day but the way the market behaved towards the end of Tuesday was very mixed, so today I took the day off. There have been no new economic reports the past two days and the next are due tomorrow. There appears to be a perception in the market that many stocks are overvalued but there has been no follow through to the downside. The 3-day swing is still down but we have just had two inside days in a row. The market is poised to go one-way or the other and I am not sure which way. The market is yet to tell me.



The rest of the week was no different to the start – down, up, down, up.



If you were to look at a weekly chart you would think nothing has happened.

As I said somewhere 3 weeks ago the market could go sideways in the 1015 – 960 range for some time before we have a clear-cut outcome to the Elliott Wave Count I put forward back at S2:C4:P38. So far my Elliott Wave opinion is intact unless 960 comes out on a daily close.

The most positive thing I can say about this market right now is that the 3-day swing has turned up again; so any break above this weeks high and I will be a buyer again.

This CHART shows the 3-day swings since the 12th March low.

The most likely reason we have been experiencing choppy conditions of late is that many analysts believe that the high I have labelled W3 is a major bear market rally high. It may well be but until the market can break 960 I am not in that camp, although I must admit I am beginning to wonder right now.

Tuesday 29th July 2003:

You know it is becoming increasingly more difficult to make any sense of where this market is heading in the future. The past 6 days we have been stuck in a 27-point trading range. Notwithstanding there have been some very good PATTERN trades but the geometric ratios I am accustomed to seeing have been sadly missing.

All I see in this trading pattern is CONFUSION!

The market seems to rally on the flimsiest piece of news or rumour and then when reality strikes home by way of some factual economic news the market takes a dive.

With the Consumer Confidence back down at a four month low and unemployment for June on a nine year high it makes you begin to wonder.

Commentators keep insisting the US economy is in recovery mode but you can't see anything really positive to agree with their forecasts. OK some company EPS are improving but the stocks that are showing earnings improvements have already been bid way up on this expectation.

Also since the June 16th high the BOND MARKET has been on a consistent downtrend. Usually there is an accepted belief that money moves between the BOND MARKET and the STOCK MARKET. An old belief is if bonds are going up the stock market will go down and vice versa.

Contrary to popular belief the stock market has been totally indifferent to this accepted belief in recent times. As far as I am concerned beliefs like this are only old wives tales circulated by brokers to get more business. In my opinion it is good to remember this so you don't fall for the psychological traps that these false beliefs will cause you. The same goes for any other two markets that people like to make the same comparison. Each individual market marches to its own beat and shouldn't be associated with another.

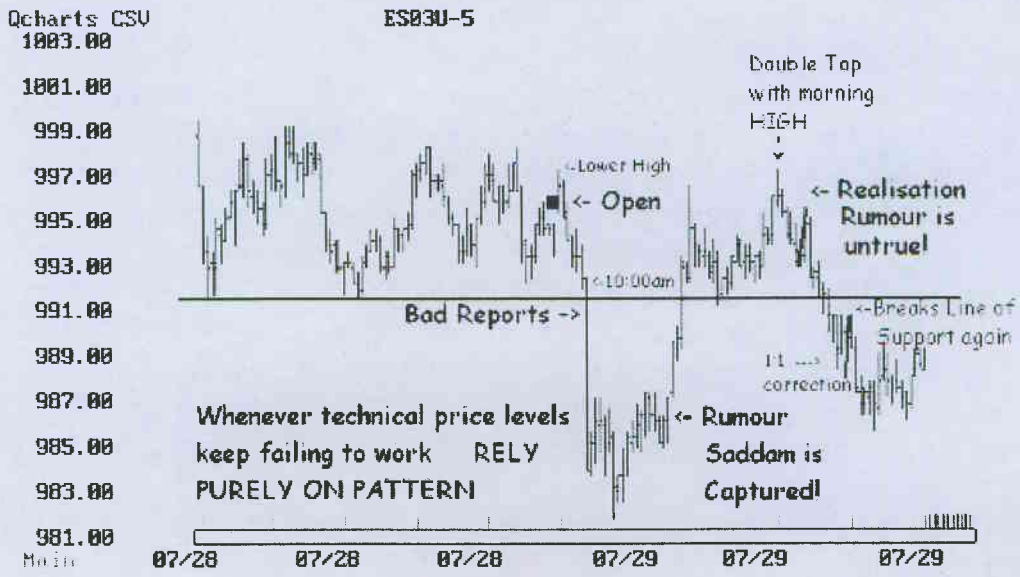
WHAT'S THE MESSAGE IN ALL OF THIS REGARDING THE S&P?

What do you do when situations occur like we are in now?

PSYCHOLOGICALLY YOU COULD BECOME CONFUSED!

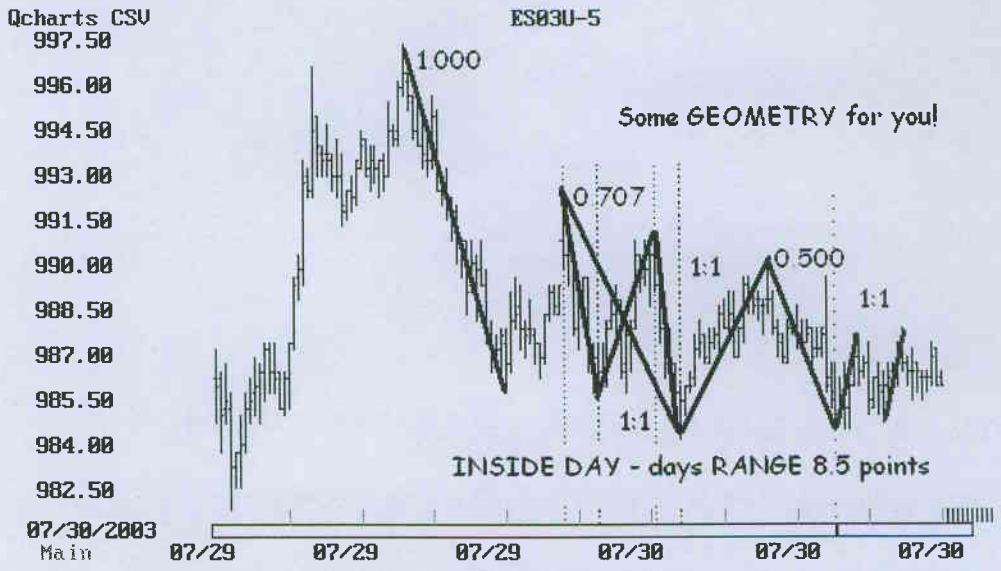
Well the only thing to do is be aware of the news releases and trade off the PATTERN SIGNALS WITH TIGHT STOPS.

Today when the Consumer Confidence and Unemployment was released at 10:00am on bad figures the market broke support and dropped like a rock. Then a rumour started in the pit that Saddam Hussein had been captured, the rumour turned out to have no substance and after a double top with the early morning high the theme of the day turned back to the economic reports.



Wednesday 30th July 2003:

Today didn't clear the current picture up at all. The Fed's Beige Book report was released at 2:00pm ET and held nothing in it to inspire the market.



The only thing constructive about today was the way the GEOMETRY unfolded in a series of 1:1 reversals. The technicians may be returning from their summer holidays. The PATTERN is still pointing down.

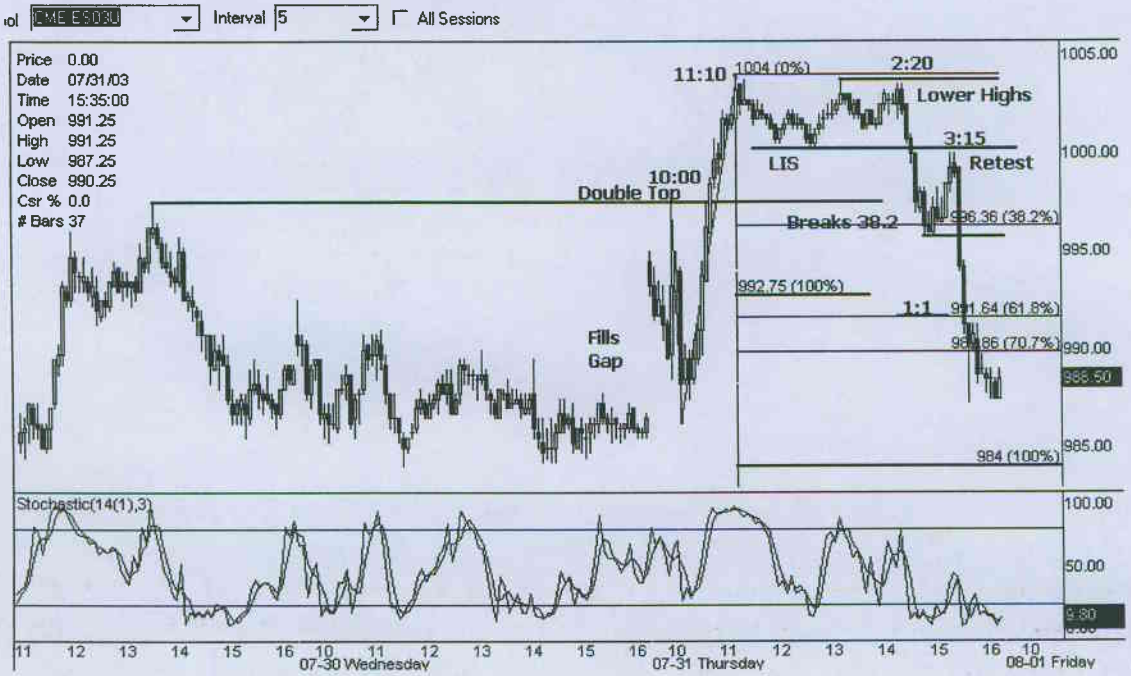
Also daily negative news is coming out of IRAQ as the US occupation forces are continually coming under isolated attacks by surviving loyalists of the Saddam Hussein regime. The whole thing is getting bogged down and causing some political unrest as more and more deaths of US personal are reported. No weapons of mass destruction have been found and politically this was the reason for the war, even if the coalition forces have removed a dangerous dictator from the world stage.

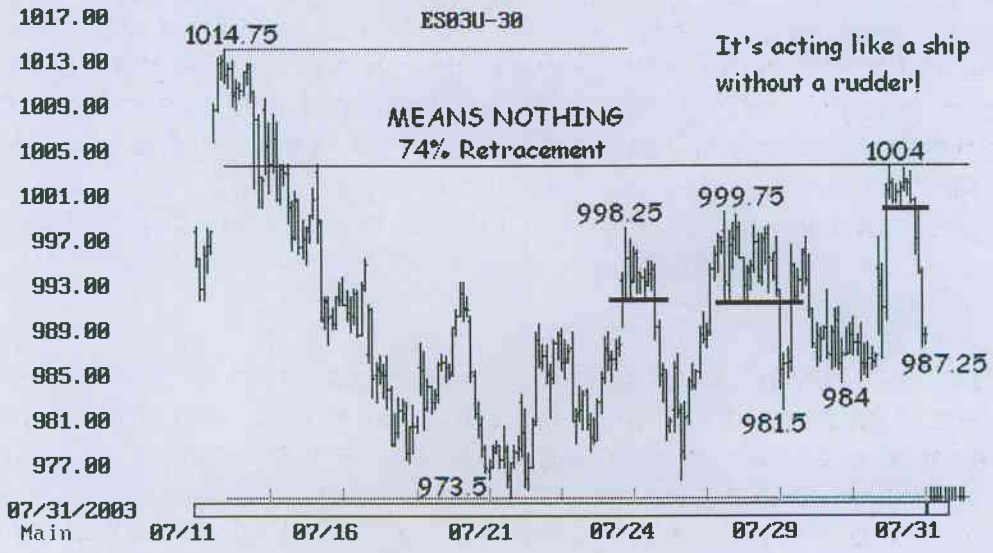
Briefing dot com reported today:
16:20 ET Dow -4.41 at 9200.05, Nasdaq -9.42 at 1721.95, S&P -1.63 at 987.65: [BRIEFING.COM] How long does it take to get to nowhere? Apparently, six and a half hours - at least that's how long it took today as the Dow and the S&P 500 spent the entirety of the session vacillating right below the unchanged line and closed the session with slight losses.
With regard to today's economic news, the Fed's Beige Book was released at 1400 ET, but did not have an effect on the market... The report indicated that the economy "increased a notch" over the past couple of months, but that capital expenditures remained "weak". The market is marking time waiting for an abundance of economic reports due to be released on Friday.

Another Achilles heel for the market right now is the OIL PRICE at just over US$30 a barrel.

Thursday 31st July 2003:

Positive economic reports or you could say more positive than previous economic data buoyed the early morning session. Nevertheless end of month profit taking took its toll on the earlier gains and by the end of the day the S&P was back to where it closed yesterday.

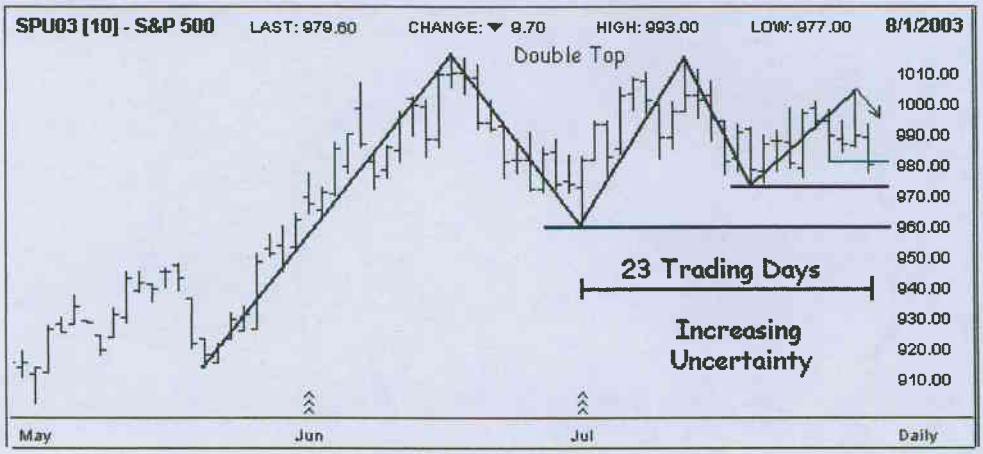




Today was another solid day for the day traders, yet nothing for the position traders. The buyers cannot hold any gains and the longer this goes on the weaker they are becoming. Day traders are prepared to buy the market but they won't hold it. Psychologically the longer-term players are getting progressively more and more frustrated. It is periods like these that make you realise the advantages of taking it one day at a time.

Friday 1st August 2003:

The many economic reports released today were at best a "mixed bag" but the unemployment trend continued to increase even if the overall unemployment rate did drop due to many people leaving the workforce.



Whichever way you look at it the market didn't like it and the best direction for the day traders was to sell. The 3-day swing has turned down again but it means very little in this congestion pattern. The current support point is still 960 before I would declare the trend has definitely broken down. It certainly looks like the market now wants to test the 960 level before it decides one way or the other.

Practically speaking the market has been trapped in a trading range for two months and all the longer-term investors have been marching time. Over this past two months massive capital inflows back into investment funds have supported this market so it remains to be seen if this inflow trend continues.

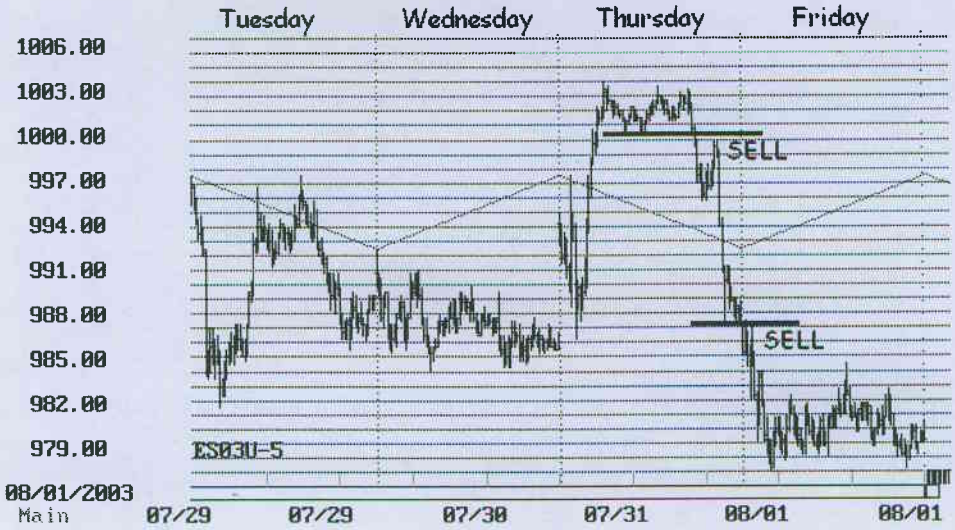
Well right now I would not bet on it and just proceed one day at a time as this is the best course. The only thing between here and a 50 point decline is 973 and 960.

As I said yesterday the chart pattern is looking more and more vulnerable to weakness right now and it would require a "giant rally" and a break above 1015 to provide any sustainable strength in the medium term.

It is going to be interesting to see the final outcome from a technical point of view as we have been working along with this unfolding market for some months now.

Personally I don't care what the outcome is from a trading view point because all I have to do is trade what I see and not what I may choose to forecast. I learnt that much years and years ago when things would unfold differently to what I had at first imagined. You have to learn to trade only what you see.

The past 4 days:



Monday 4th August 2003:

The Market came out of the chute today on a downer and even with a good factory orders report at 10:00am did not stop falling until 10:30am.

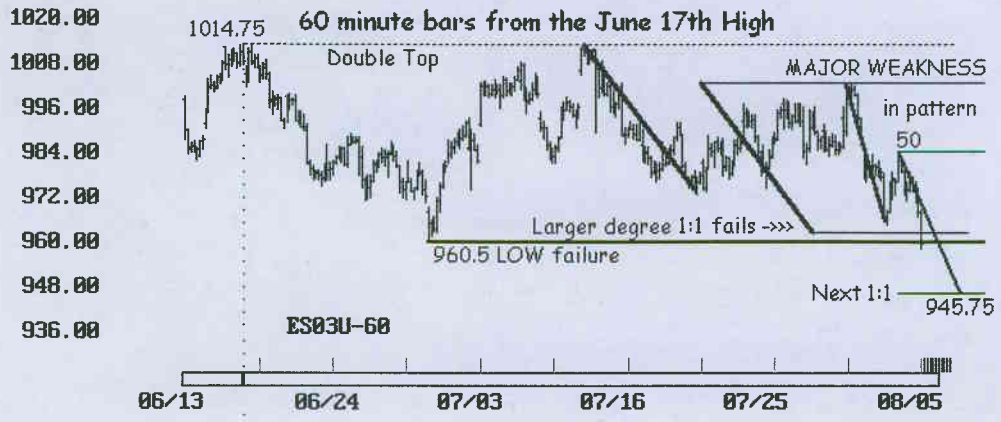
But by the end of the day it had recovered to close slightly above the Friday close after testing the 50 retracement of the past 3 days range. Basically all you can say until we get more evidence is that we just got back to the BALANCE POINT of the recent market activity. But tomorrow will offer some more opportunity I am sure.

I have written more about today in S3:C1:P7 – Day to Day checks if you want to make reference to it.

Tuesday 5th August 2003:

I have covered the days activity in S3:C1:P9 -10: so now I am going to review the big picture as today the 960 low I have been hinging the bull argument on came out and the futures closed on its low at 959.4, a bearish sign.

My thoughts are: The bucket is leaking and we could expect it to get worse. The S&P market has not displayed a lot of strength lately (typical Wave 4 behaviour). But if the current decline continues there are a lot of people ready to bailout as last year is still very fresh in their minds.



At times like now it is worth recalling the double top in March of 2002 as the conditions are vaguely similar in terms of investor expectation. Money has recently come into the market at an unprecedented pace as the early starters have become comfortable that the worst is over. Well who knows? I don't but the signs are saying to me – don't be an investor right now!

ANOTHER PROBLEM ON THE HORIZON:

Companies with self-funded retirement plans are finding difficulty meeting the current payment commitments from fund profits as the interest rates are at such low levels and the income stream into their funds are at very low levels. Their traditional assets to back their funds have lost billions and billions of dollars over the past few years and right now they are showing little hope of recovery.

It is said that companies with these plans will have to dip into their operating profits to top up the outgoings on the current commitments.

Another thing about the income stream of the retired section of the community is that they no longer enjoy the benefits of the high interest regime and their disposable incomes are falling rapidly. This phenomenon will flow through to the consumer demand side of the market and stagnate sales and business incomes further in the future.

This factor included with the increasing unemployment equation leads one to believe that the economic conditions we are experiencing now could be with us for a long time to come. The US Government has run up an unprecedented deficit this time around and if they do not curb the overspending habit they have fallen into the future will be mortgaged by the stimulus policies of today. Future generations will have difficulties when it comes to social services entitlements on the current path.

You don't need to be a Rhodes scholar to understand that things can only improve if people have money to spend to spur business along.

From my part all I am spending money on right now is living and business expenses, entertainment and indulgences such as booze and cigarettes. I don't need to travel unless it is on business and I will be compensated for it if I go anywhere. I have no debt and I have a considerable income but I have no reason to go out and spend money for no reason.

There must be plenty of people in my position but the majority of people who want to spend do so by borrowing; the private debt level is at an unprecedented high level. So where do we go next?

Not to far from home I suggest. With terrorist threats all over the world there is no reason to stick your neck out if you live in a safe environment.

Another thing the occupation of Iraq is proving to become another political nightmare as it drags out and with the price of oil on the rise it adds another negative to cost of an expanding economy.

Anyway these are only some of the things we should give some thought to when we think about where the market can find any extra buying impetus.

It seems to me that the stock market is running on empty the way the indices have behaved over the past month.

Still it pays to be optimistic.

The real estate market should be slowing down by now and let's face it, it has been over extended more than I have ever witnessed in the past. Even if your apparent wealth has increased in value with the explosion in real estate values you are no better off realistically as you have nowhere to go except to borrow against your asset and plonk the money into some other form of investment. The only ones gaining are the government departments who have raised the land taxes because of it. I bet half the reason the stocks have been bid up so strongly in the past 4 months is through borrowing against real estate and investing the money in the market. Now if the alternative investments don't perform then it is curtains for those punters.

If you really want to see the state of the nation you should go visit a CASINO, well you don't really need to just have a look at how the daily volume on the E-Mini has grown in the past two years. The gamblers are all moving onto our turf these days and it is as clear as the nose on your face.

The trend now in investment circles is to learn how to sell short.

I am already an expert at it so where do the people come from to buy advice from me. I can see it in the sales of the books I have written over the past two years or so.

The world is an amazing place the way it goes from brick wall to brick wall and then makes more headway.

What really amazes me is how people find me as I don't advertise except for my web site and over the past couple of years I am sending out books to places I have never even heard of. Once the majority of my books went to Australia, USA, Hong Kong and Singapore which they still do, but now there are increasing numbers going to Sweden, Germany, Poland, Greece, Spain, Italy, Switzerland, United Kingdom, Ireland, Turkey, India and even Russia.

Nevertheless the point I am making is that there is an increasing World Wide trend to trade futures where you can SELL before you BUY if you want to take advantage of a falling market.

People want to learn how to trade PAPER and you have to consider if that is PRODUCTIVE? Maybe it does not matter so much as the ones who can learn to do it effectively will only be a small percentage of the world markets in any case. But the trend appears to be for more and more people to take matters into their own hands rather than leave it in the hands of the institutions who have been on a summer holiday all these years.

Well you might wonder why I persist in teaching people to understand the markets, the players and the mechanics that the smart players identify with.

It's really pretty simple!

I like to see people WIN and they pay me very well for teaching them to WIN. It's really a WIN-WIN situation in my mind.

You know over the years I have written many books on trading analysis but as I have gotten closer and closer to retirement I have always felt I would like to leave the very best on the table that even a high school leaver could understand and follow.

I am not part of the establishment – I never have been. I have always been my own man. Being an independent person suits my lifestyle as I don't have to answer to anyone most of the time.

As more and more time passes I am continually reminded of the futility of the system as it stands today.

The education system has changed so much since I was a kid at school. In my days if the teacher thought you were out of order you stood in line and took a belting. Today the kids are not allowed to be hit for any reason and their discipline is to say the least hopeless as they don't have a clue what the real world is all about until they have to get out and support themselves. They only learn when they have to get out and fend for themselves.

The system today teaches them to cheat as best they can and not work like the old days taught you. The modern day system is not teaching people to be bound by their word anymore. The new deal today is to get away with whatever you can and hide your mistakes. It's a real dilemma when you have companies taking in university graduates and making them specialise in foxholes and not know what ever else goes on outside of them.

In normal business today a person goes out and gets a job and is taught to do one specific thing without knowing the effect of their job on the scale of the whole operation. It's a pathetic situation in my mind and it extends to all things today in regular business.

You know when you go to the super market today the kids on the registers can't even do mental arithmetic, they just swipe the bar codes with their machines and when the total comes up they punch in how much money you gave them and the machine tells them what change to give you back.

But this is the new era and we just have to work with it. I think the longer it goes on the greater the advantage there is to the person who can become a master of all the facets of the real world. All it takes is an understanding of the competition you are dealing with.

I might appear to be veering off track at this point but psychologically I have a perception that we have been going through a massive change in accepted values throughout the past 20 years. The internet has made a major difference to the way business is transacted as this source of information is available to everyone in the safety of their own home. Things happen much faster as a result of it.

IN THE MARKETS:

You know that in the daily market activity we have lots of options and opportunities to take trades that have a high probability of success.

Sometimes I am not sure who believes me and who doesn't when I declare right at the time that the market is a sell or a buy. I do it live on my training site time in and time out. But to my mind it seems to me it is only worth the education value when the market has run its course and my call either won or lost.

Anything I say in the heat of the market could possibly be seen as purely a guess. But I should assure you it is not a guess on my part, my calls are inspired from a well founded belief that I have the odds in my favour. I know (pretty well most of the time) what the other players will do under certain technical situations and I go for it.

Psychologically I am prepared to act on technical situations when they seem so clear to me. This is the one aspect of trading that all good traders have learnt. If you see it and it looks real go for it.

If you are in doubt leave it go.

I am probably repeating myself over and over again as I write this manual but it is important that you get the message. Repetition can only help in the long run.

Over the years I have seen many other people try and teach students to trade and the results have been far from satisfactory. I just don't think they can explain themselves to anyone other than another professional trader who already has the experience to understand what they are talking about.

What I am trying to do is provide enough information in many different varied ways that even if you miss the point in one place you may pick it up somewhere else in this text.

You know something, when I first studied Gann & Elliott work years ago, way back in the early 80's. I had to read and re-read many things over and over again, page by page, to get their ideas into my mind and try to understand what these guys were on about. It wasn't exactly simple by any means.

Wednesday 6th August 2003:

How things can change in one day!
Even with all the bearish signals apparent from yesterday the market opened and displayed some strength. At first I thought it was going to fall over but when the implied resistance at 8 points up on a 1:1 with yesterdays correction came out it was obvious the market had a fair bit more upside.

The high for the day terminated on the 61.8 retracement and as it went into the reversal point it unfolded as a 1:1, this behaviour is straight out of the text book. The market has now closed back down near Mondays low and back below 50% of the days range.

The one thing that stands out to me about today is the resilience after breaking the 960 low. In my mind there should have been massive technical selling from the jump today but it didn't appear.

Thursday 7th August 2003: INSIDE DAY

This Week's Calendar

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Aug 07	08:30	Productivity-Prel	Q2	5.7%	3.5%	4.0%	2.1%	1.9%
Aug 07	08:30	Initial Claims	08/02	390K	400K	395K	393K	388K
Aug 07	10:00	Wholesale Inventories	Jun	0.0%	0.2%	0.0%	-0.4%	-0.3%
Aug 07	15:00	Consumer Credit	Jun	-$0.4B	$5.5B	$6.0B	$8.1B	$7.3B

The market began the day on a weaker note for the first 15 minutes and found support on a 78.6 retracement of the previous important range. By the end of the day it had worked its way all the way back to a double top.

With the absence of any bad news and reasonably good economic reports the market aimlessly trended up throughout the day. The pattern for the day was mixed to say the least but at this point in time the market has remained above the 960 break from two days back.

It looks like each rally up as it unfolded had the day traders selling into it. The lack of follow through on each decline indicates there was very little concerted conviction by the bears. Today also was an inside day with a 13 point range and the time up from the low is two days now with a range of 17 points, not an inspiring example of buying conviction either.

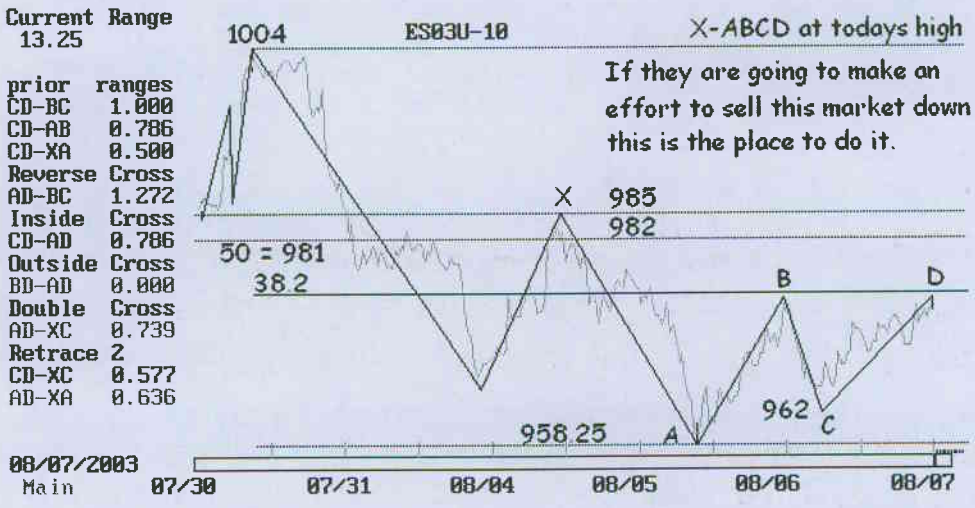
The facts we have going into Friday are these:

1. The 3 day trend is down and to turn up the market has to trade above 982 and effectively 985 to look convincing.
2. Today is only the second day we have been correcting from the 958.25 low so it is still debatable if the low is important in the bigger picture.
3. The current market position is on a double top with a 61.8 retracement label attached to it.

4. If the market breaks the 975.25 double top it still has to negotiate a larger degree 38.2 a little higher and then a 1:1 at 979 a 50% at 981, a 3 day high at 982 and the swing high at 985.
5. Buyers face an abundance of technical resistance levels in the next 10 points to the high side. The clear ground is only above 985.

If the market can get above 985 I would have to take the view that the low at 958.25 has become major support. If not then I am still basically negative about the immediate future. The whole basis for my outlook is based purely on probabilities nothing more. I religiously go through these same exercises one day at a time and prepare. The market will tell us soon enough what is going to happen.

At today's high and the BD double top we had some interesting geometry which is worth recording basis my X-ABCD approach.



The most favourable things I can see at this stage for the 958.25 low to be important are some timing elements but they are only lesser degree.

Friday 8th August 2003:

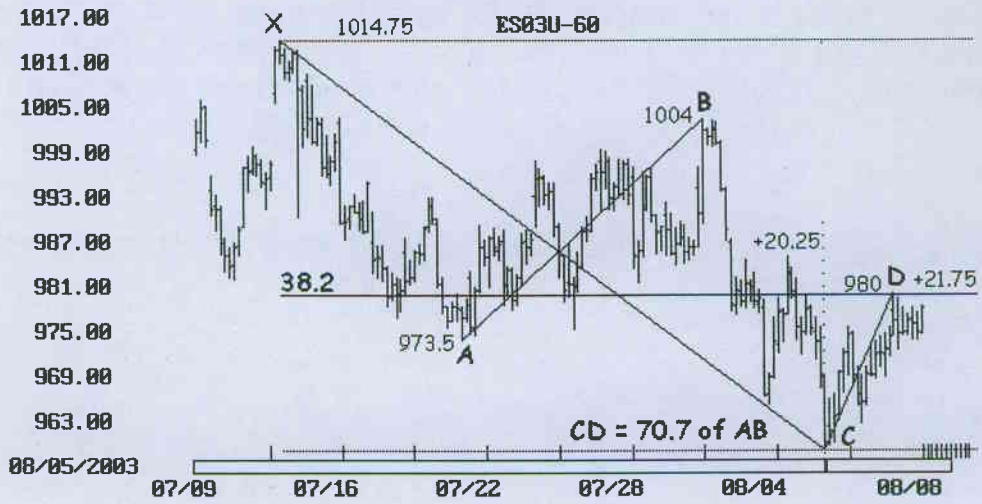
Today the market opened above yesterday's high on reports of better than normal retails sales, the high for the day was 980 only 5 points higher than the previous close.

The whole days trading range was 7.75 points as the market rocked backwards and forwards all day, finally closing at 978.

Going into Monday we have 980 as the 3-day swing high which was also a major 38.2 of all the decline down from the double top at 1014.75.

The action today leaves my conclusion on the market position still open.

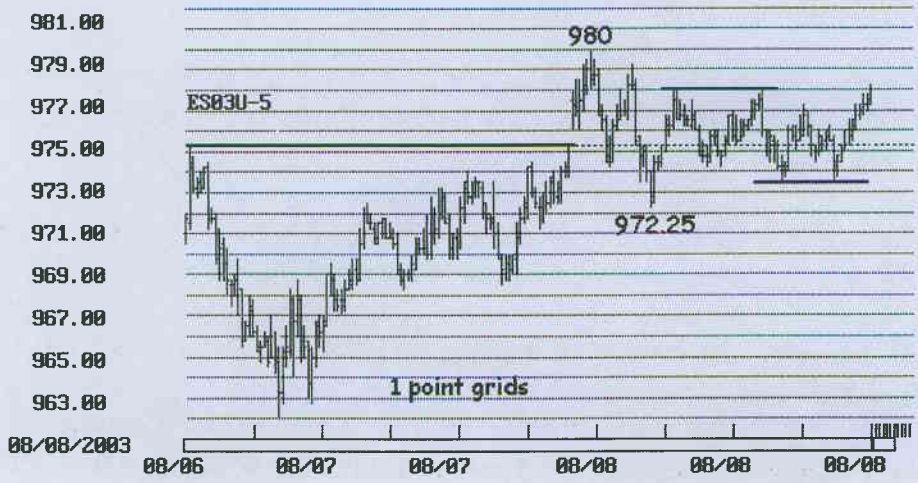
The only thing that could be important if the market is to reverse back down from here is the fact that today's high marked a 38.2 retracement of the total decline from the major double top at 1014.75. Normally this would be an important geometric retracement level; but the way the whole pattern evolved from the double top leaves me wondering what the hell is going on here.



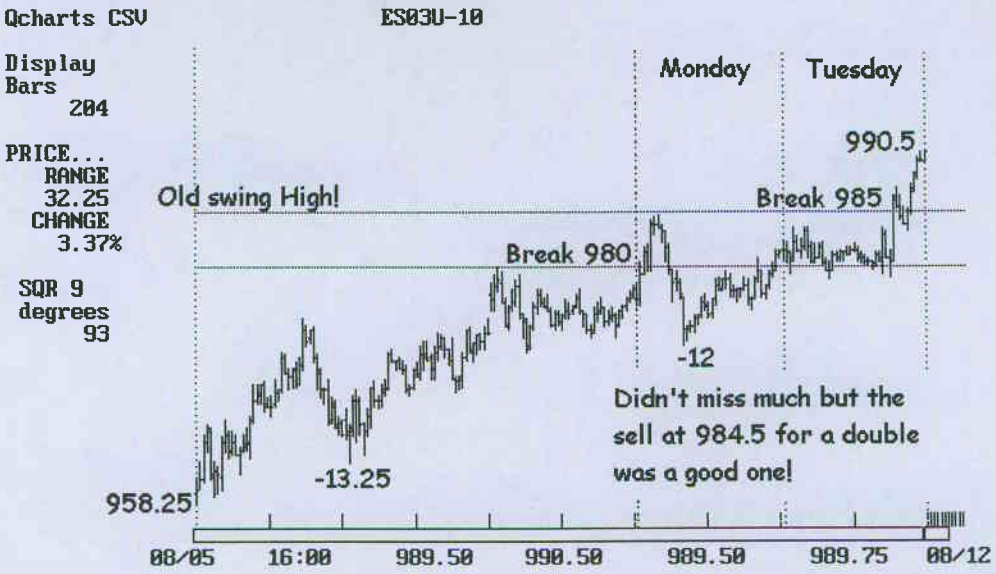
The pattern is full of overlaps from one end of the chart to the other and the current leg up has overbalanced the prior 20.25 correction on the way down into the recent low. This has the hint of higher prices being possible so you can see my dilemma.

At times like these when things become technically hazy to me I just step back and leave the market alone till the picture becomes clear. I figure that if I can't come up with a reasonably conclusion no one else is going too be able to either.

In any case I am off fishing for 4 or 5 days from today so maybe when I get back I will have a clearer situation to work with.



Monday, Tuesday 11th /12th August 2003:

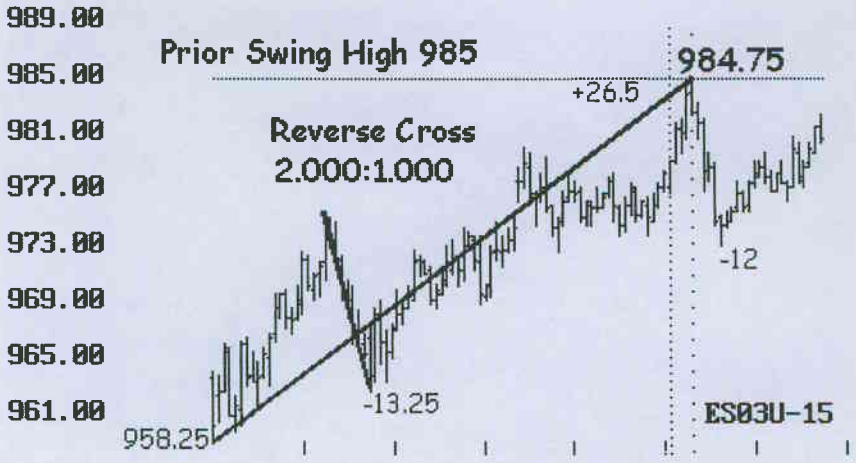


I didn't miss much by taking some days off but the sell at 985 at the old swing high was a legitimate selling point and if you didn't get that then the break back through 980 was the next cab off the rank. Tuesday looks a bit more difficult but the worst-case scenario was a break-even day.

The only resistance tomorrow of any major technical importance is now the 61.8 retracement (993) from 1014.75 to 958.25, so going into Wednesday this has to be my main focus. If this market attracts selling at this level I will sell, if it breaks through I will buy it.

Now I am going to catch up on the news and see if the chart looks like it makes some sense to me. The trend is up again by hook or by crook.

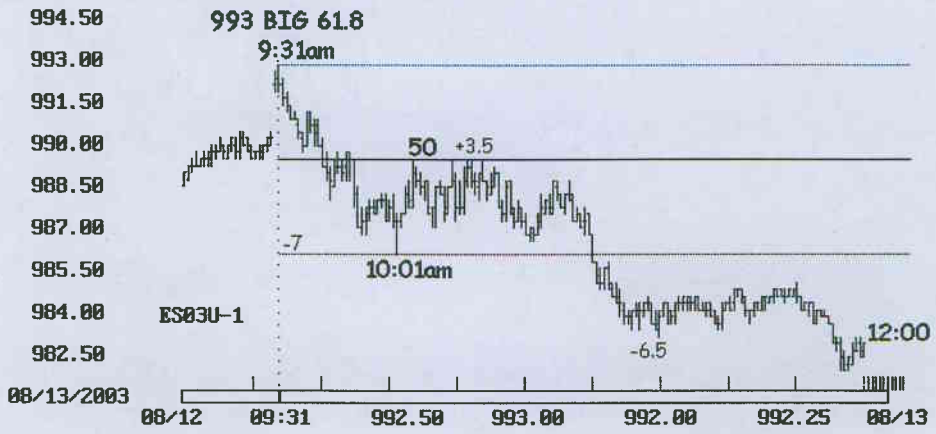
Before I go on to Wednesday I should show you why 985 was a solid resistance level for sellers on Monday.

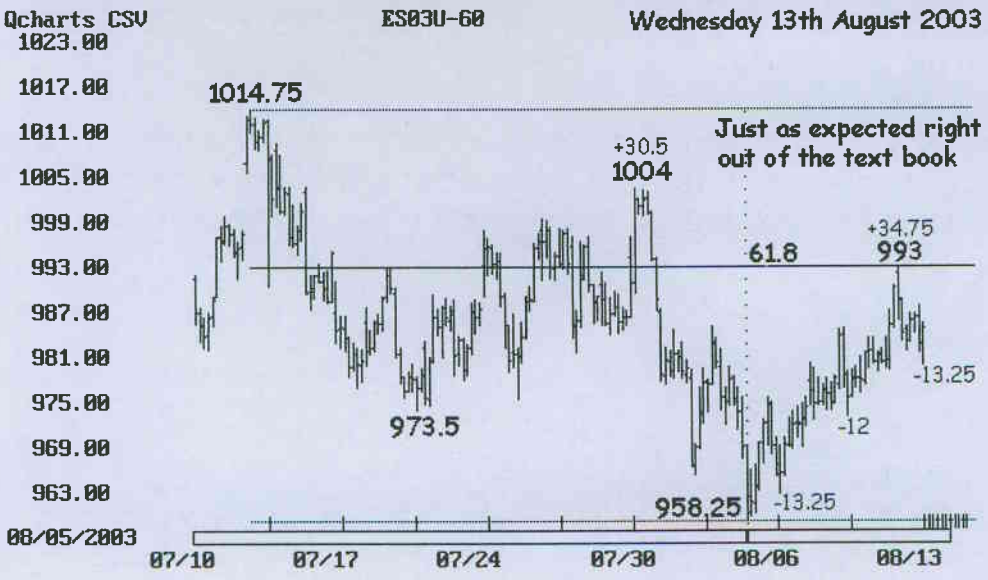


Wednesday 13th August 2003:

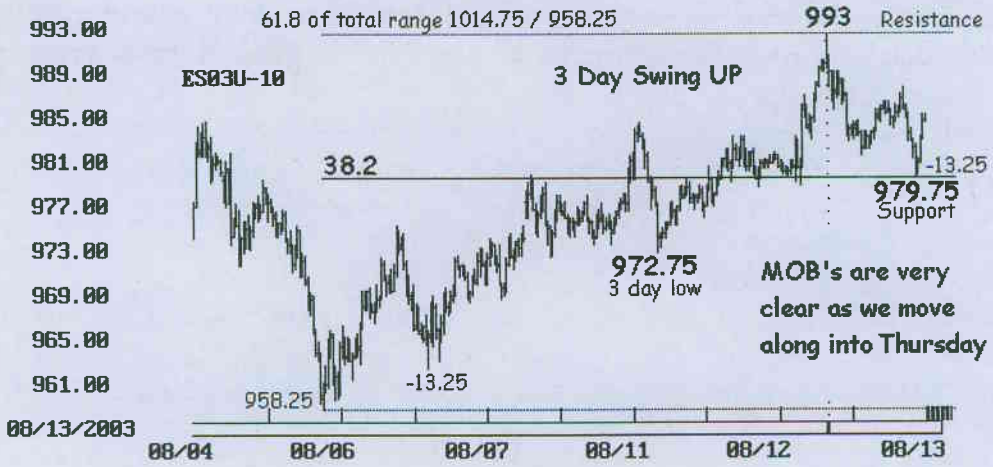
Easy money today for those in the know! The market opened on it's high and made the 61.8 (993) high for the day in the first 2 minutes of trading.

This action provided a HOOK THE OPEN SELL trade. Whenever the market opens on a technical level of importance you can take the trade with total risk control as the stop loss for this trade only had to be at 993.5. The first burst of selling took the market back to 987.25 before the 10:00am Business Inventories report was released and then the market made 986 on a spike volume burst before some consolidation set in. The consolidation could not improve on a 50% recovery and set up another SELL for a 1:1 target down once again. The first 2 hours of the day were highly predictable if you knew the implications of the technical signals.





By the end of the day the retreat from the morning high was contained after a 13.25 point decline which coincided with a 38.2 retracement of the total move up from 958.25 (a no-brainer technical support level everyone would have been targeting).



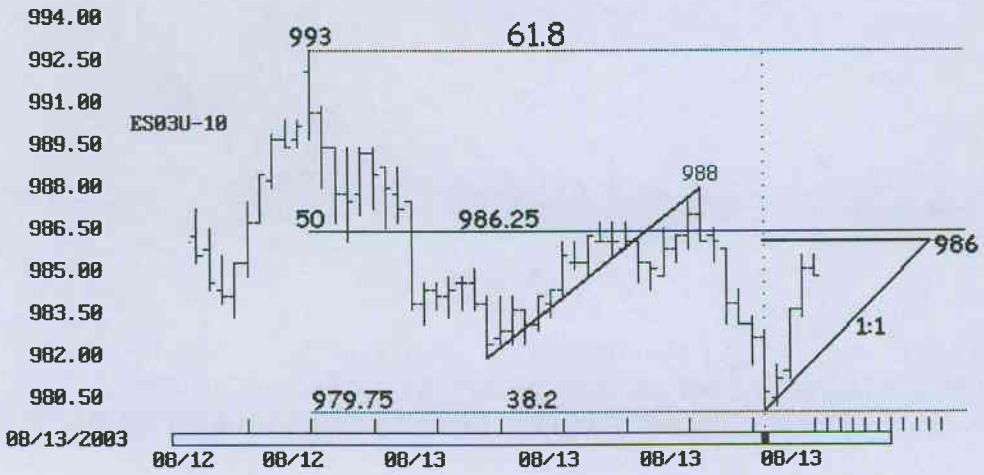
As we head into Thursday we have to go through all our preparations once again. The difference today though is I need to check the time cycles for today as the 61.8 of higher degree could be very important in the larger degree.

Just the same three things still give credence to the market continuing higher.

1. 993 high is 34.75 up from 958.25 and overbalances the 30.5 rally of similar degree.
2. Support today was on a 1:1 and a 38.2 retracement.
3. The 3 Day swing is still UP.

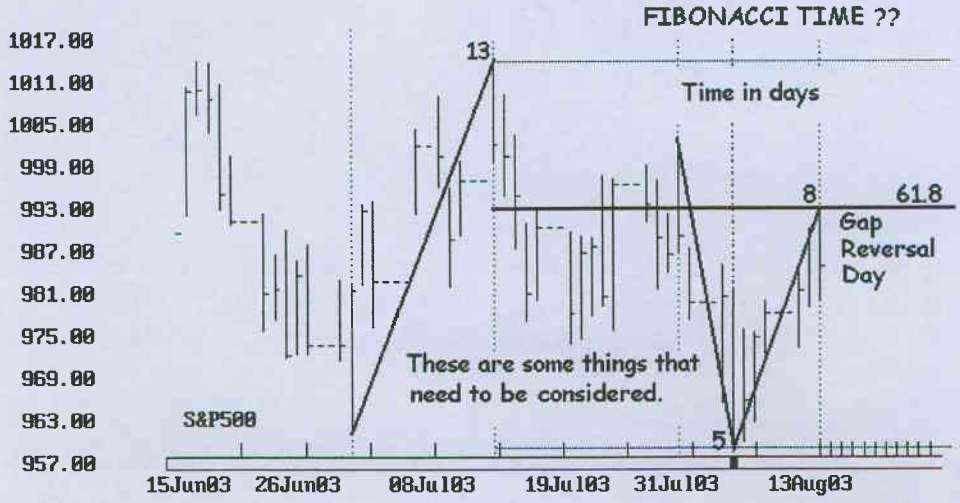
The 3 day low is at 972.75 and beyond 50% of the 34.75 point range up from the 958.25 low.

The early warning sign of a continuance down hinges on the 6.25 point interlude rally today. If the current upswing cannot breach a 1:1 of that (986) and the smaller degree 50 then the lesser degree trend is down.



You always need to understand that I don't care what the market does tomorrow as I am prepared one way or the other to read the signs and act on them at the appropriate levels.

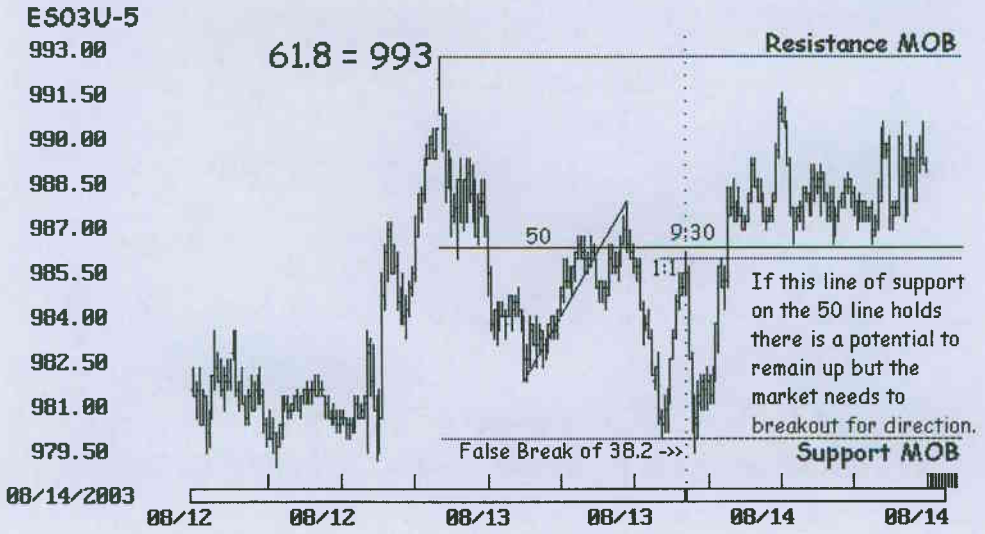
I only play the probabilities day by day. As each day passes new probabilities unfold and that is what I need to keep abreast of.



8/13 = 0.618, 8/5 = 1.618 sort of leaves room to consider the fact that some traders using this technical aspect could think the time of this rally has expired. Who knows just yet anyway – better to be prepared.

Thursday 14th August 2003:

The market opened just below the 50 of yesterdays range tested the 1:1 and looked like it was going to fall away. I took a sell on the decline back down to test the 38.2 at yesterdays low. This was a good trade as I closed out just before the test of the 38.2 and then there was a false break reversal.



The problem with false breaks of this nature is that you can never be sure if the false break is a sign of more weakness to come or a reversal that just failed to hold the level it should have. It does not become obvious until you have retraced at least 50% of the prior swing. I made several other trades both on buy side and sell side during the next hour which resulted in a small loss just on transaction costs. I felt I was getting out of step with the market when it did not accelerate after it broke back through the opening price; so I stopped trading for the day. Looking back at what happened after that it was a wise move on my part as the market traded in a 5-point range for the rest of the day.

The line of support throughout the afternoon where you see the triple bottoms is at 986.5 so this is our 1st point of reference for Friday's session. Outside of that the 993 high and today's low 979.25 are the resistance and support MOB's. The 50% level of the 2-day range lies at 986.

Not much to work with in my opinion until the direction is confirmed. The better trading opportunity is going to come if the market were to break up through the 993 level as that is where all the short stops will be sitting.

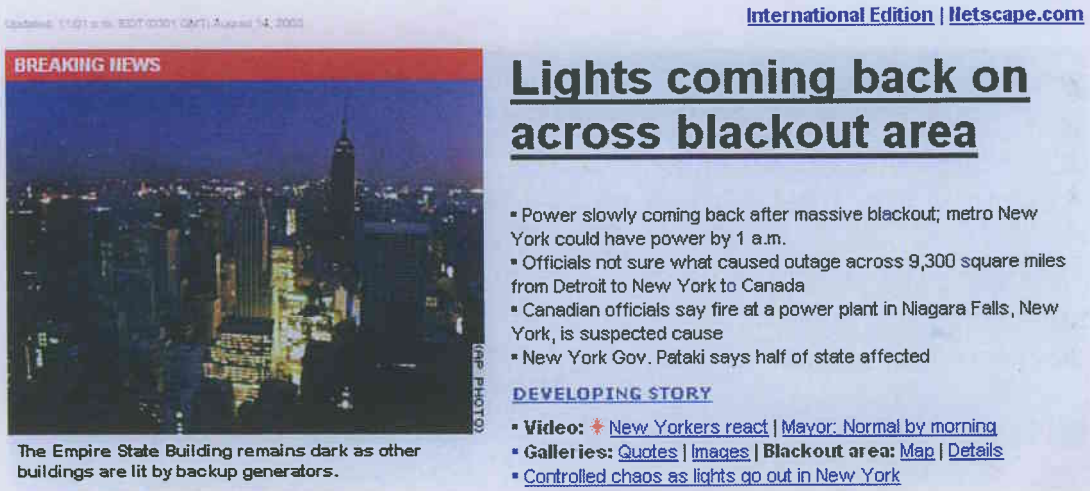
NEWS FLASH: after the close the market was hit by PANIC when a massive power failure struck the eastern coast of the USA encompassing New York and surrounding areas all the way down from Canada. The first thoughts were a terrorist attack but that has now been dismissed.

Another important lesson in the life of a trader as panic strikes the fragile state of the market.

This complicates the current complexion of the market as now it is unsure whether brokers will be fully operational for the Friday day session.

Latest news is that a lightening strike at a power station in Niagra Falls took out the power grid.

Look at what happened in the confusion, the market dived and has since bounced back. At times like these you can appreciate why you can sleep easy when you are a day trader and you don't have to worry about what goes on when you are not in the market. Be interesting to see where the Globex is Friday morning. As far as I am concerned all trading decisions are on hold for now.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BREAKING NEWS
Lights coming back on across blackout area
• Power slowly coming back after massive blackout; metro New York could have power by 1 a.m.
• Officials not sure what caused outage across 9,300 square miles from Detroit to New York to Canada
• Canadian officials say fire at a power plant in Niagara Falls, New York, is suspected cause
• New York Gov. Pataki says half of state affected
DEVELOPING STORY
• Video: New Yorkers react | Mayor: Normal by morning
• Galleries: Quotes | Images | Blackout area: Map | Details
• Controlled chaos as lights go out in New York
The Empire State Building remains dark as other buildings are lit by backup generators.

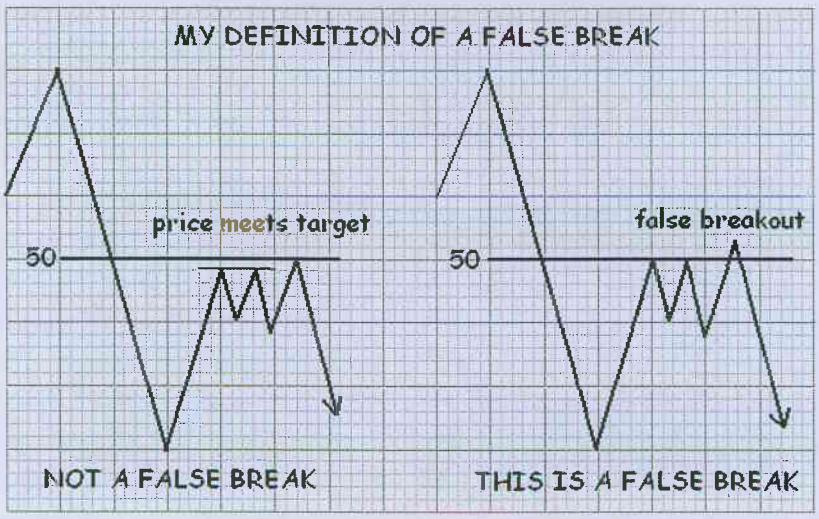
FALSE BREAKS:

I'll just put this in here until I decide where it needs to go in the context of the course but it may just end up staying here in the end, psychologically these situations are difficult to deal with most of the time.

The first thing we need to define is what constitutes a false break?

1. Is it just a break of a prior low or high or double top or bottom by 1 to 3 ticks?
2. Is it a break of a mathematical level of extreme importance, say a 50, 61.8 or 38.2 by 1 to 3 ticks?
3. How far is far enough to consider a legitimate break and then a reversal not to be considered a false break?
4. When is a false break a failed signal that makes it an important reversal signal?

All these questions need to be answered in the context of the current market action.
In consideration of the guidelines we need a plan of how to act when we see what we consider to be a false break out.



To my mind a false breakout cannot occur whilst the price is still striving to reach a legitimate geometric target as that target was in my opinion always achievable.

But should the target have been previously achieved and then the market makes the "FALSE BREAK" and reverses almost instantaneously it has exceeded the geometric target and FAILED.

So the question is how do we deal with situations like this as they can occur when we least expect them to!

Let's start with points #1 and #2:
Is it just a break of a prior low or high or double top or bottom by 1 to 3 ticks?

In the strict sense any breach of a prior low or high by 1 to 3 ticks that does not proceed could be seen as a false breakout that did not succeed. The reason they don't succeed is because there is no follow through buying or selling power as the market tests the new level. This situation should be viewed as a sign! The market is talking back to you at the time and if you are listening you can take advantage of the situation.

But more importantly if a false break occurs at a level that would be recognised by many as an important geometric level of resistance or support, say a 50 level or 38.2 or even a 61.8 and breaks it by 3 ticks with no follow through you should immediately view it as a FAILED SIGNAL and cut any breakout trade immediately and look to trade back the other way at the next sign the market has reversed. If you ignore these signs you could be missing a lot of low risk entry opportunities. You don't have to give them more than one shot because they should be definitive if they are working otherwise you just take a small loss and stand aside.

There are numerous instances where you will encounter these situations on a day to day basis but the better ones are when the market has been moving in reasonable ranges (larger: say 8 points or more) prior to their occurrence. False breaks in a 5 point range are not worth the bother but if you get a false break reversal when they occur after a 10 or 15 point range or greater they have a lot more risk reward for you to trade.

Years ago when I was studying the Gann course material Gann used to refer to the phenomena he called "lost motion". That was where the market traded up or down slightly above or below the geometric price level that technicians like us would target. It did not seem to bother him that the market could breach levels slightly but it took me a long time to come to grips with it personally. But as life goes on and you become more market savvy you will see that you have to deal with these situations all the time. They probably occur because the market is getting hit with a lot of orders "at market" and it dries up the bids or offers on the price exact geometric tick level.

The odds of a false break at an important geometric level could be as high as 50/50 but they should never exceed 3 ticks. If you take this possibility into account you are only risking at maximum 5-6 ticks by trading for a reversal in trend. When these trades do work you can often get a runner back the other way for a much larger return than what your losses will ever add up to.

When the market tests known important geometric levels where it has the potential to reverse direction remember a "failed signal is the strongest signal". This means if the breakout fails the trend is going to reverse for at least a temporary period and money can be made.

Points #3 and 4#:
#3: How far of a break is far enough to consider a legitimate break and then a reversal not to be considered a false break:

In my mind once both the ES & the SP break a level by more than 1 full point that geometric level becomes redundant to my future analysis.

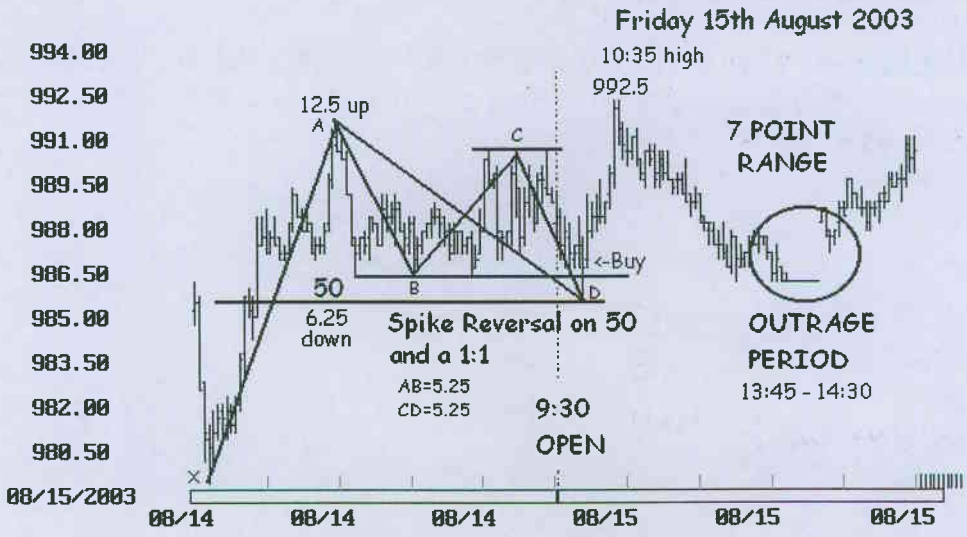
#4: When is a false break a failed signal that makes it an important reversal signal? Usually when it false breaks on a spike volume and is followed by a 5-minute reversal bar.

Once the market reverses back through the original break point by more than 1 full point on a reversal bar pattern it is giving you a reversal signal.

Each 5-minute bar following the reversal will continue to confirm the situation.

Friday 15th August 2003:

Here is a good example of what I have been talking about. Right on the 10:00am 5 minute bar with no reports released at the time the market broke down through the triple bottom from yesterday by 1 point, touched the 50% retracement on a 1:1 and rebounded back the other way.



The low was 985.5 and one of my novice students managed to SELL at 985.75 probably not being aware of the 50 there at the time. He says he closed out at 987.5 for a loss of 3.5 points on 2 contracts. His mistake was not reversing long when the market came back inside the break, if he did he would have got his loss back and made money.

A seasoned trader would have known the risk of the 50 and 1:1 before taking the trade and bought with a Stop & Reverse order below the 50 level.

The 50% retracement of any range and a coinciding 1:1 with the alternate wave are the basic tools I have been teaching my students to be aware of for years. I would never have sold that break if I had seen all the implied support below it.

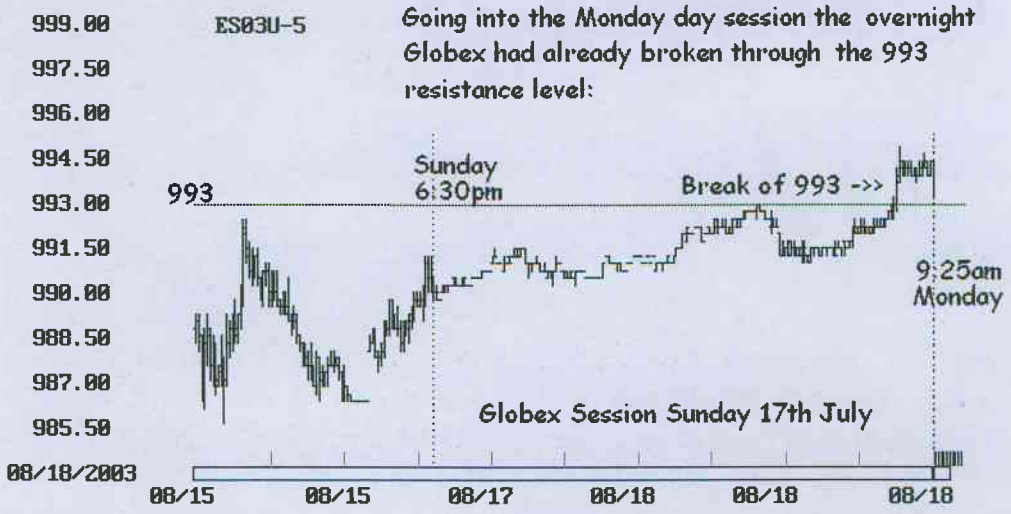
When you consider the situation in retrospect the buy signal was a stronger signal than the choice to sell the break in the first place and also a buy right at the 50 was even warranted or the sell should only have been made on a break of the 50 and not before.

In any case I have discussed the matter with him on the phone and he has realised that he jumped the gun by only looking at the triple bottom as his sign to take the sell. My advice to him was to always think one step ahead. Ask yourself the question before taking the trade, "What will I do next if my trade does not work out? And then try to work out all the things that can go wrong beforehand".

As for the day I was not trading because of the POWER OUTRAGE on the Eastern Seaboard. Looking back over the day (after the close) my data feed shows an outrage or system closure for 45 minutes. Everything should be back to normal by Monday.

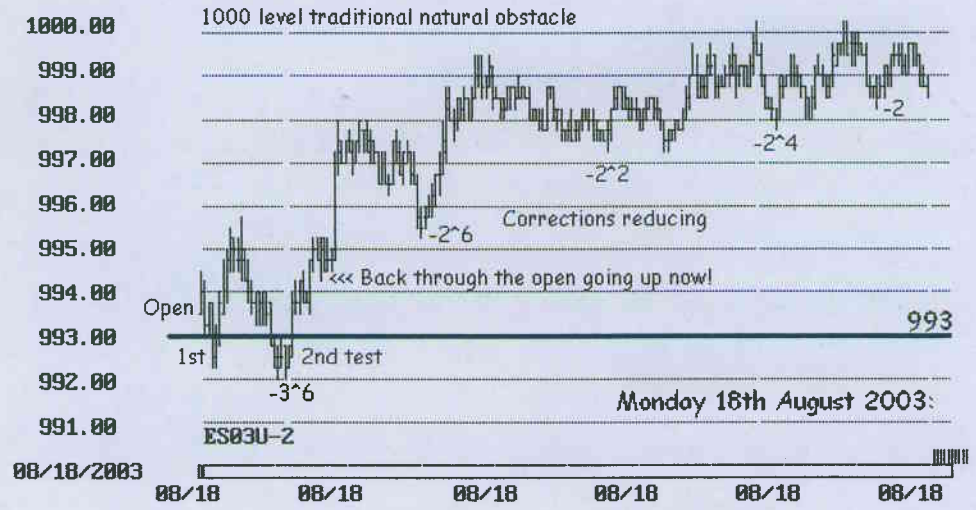
The close today at 990.75 has the market poised for an assault on the 993 (61.8 high). One way or the other there is a trading opportunity looming as we go into next week.

THIS WEEKEND I HAVE BEEN WRITING – the **WEEK TO WEEK** chapter which explains the larger degree picture of where the market position appears to be. **See S3:C2:P14**



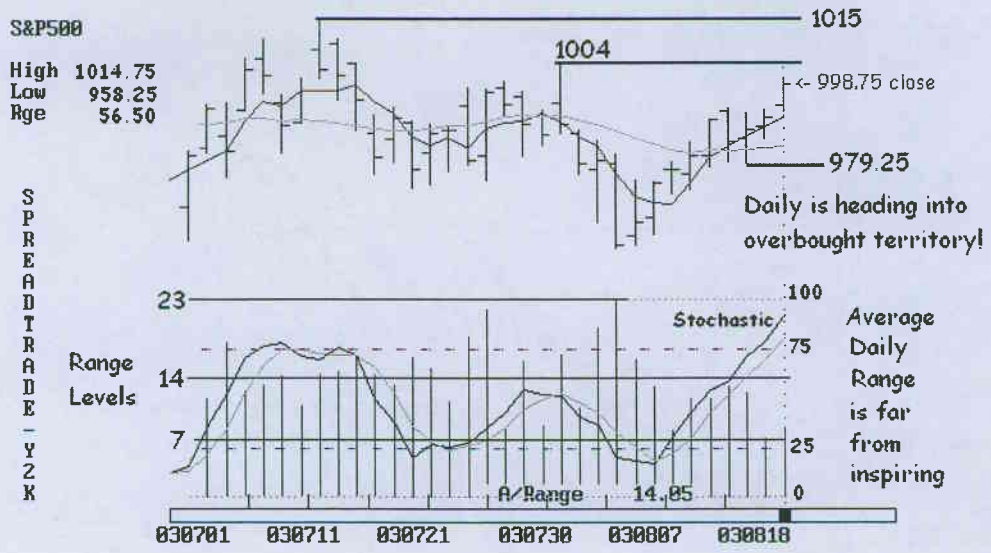
Prior to Monday's day session opening Globex had traded above 993 - the signs for Monday are signalling a short covering day at the very least.

Monday 18th August 2003:

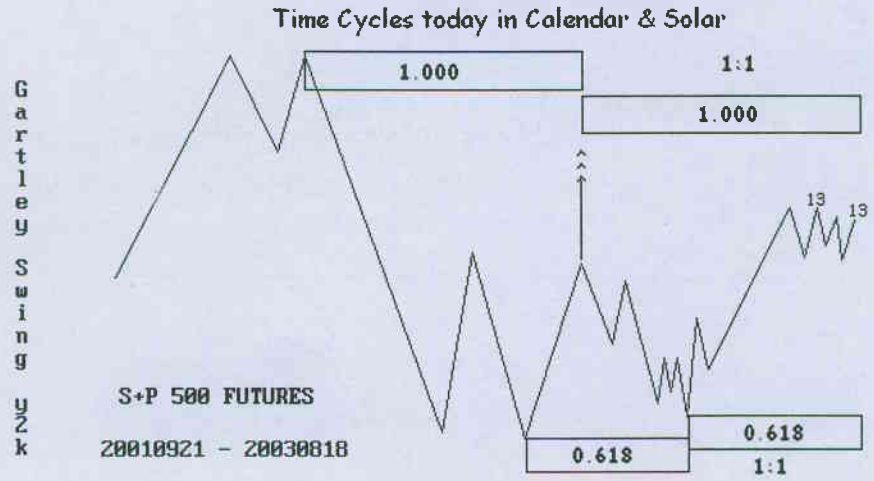


The market opened 993.5 retested the 993 by 3 ticks to start with then signalled a HOOK buy back through the opening. This advance didn't attract the sort of volume I would have expected and when it wasn't going anywhere I bailed the position for a scratch trade. The second test of the 993 breakout made it back to 992 and couldn't go down any further. On the break up through the 993 the volume started to rise a little and there were good indications that it would stay above the 993 this time. I didn't hang around to find out as the breakout had been too sloppy for my liking. It looked like short covering rather than new buying to me. As you can see from the 2 minute chart the whole day was a grind.

The reason I didn't worry about it was the limited potential between 995 and my 999 target. Until this market can break above 1015 (if it can) the buy side now is going to be fairly fragile.



There is a timing factor I cannot ignore today. It may mean something and then it may not but it is strong enough to mean something until it proves otherwise.

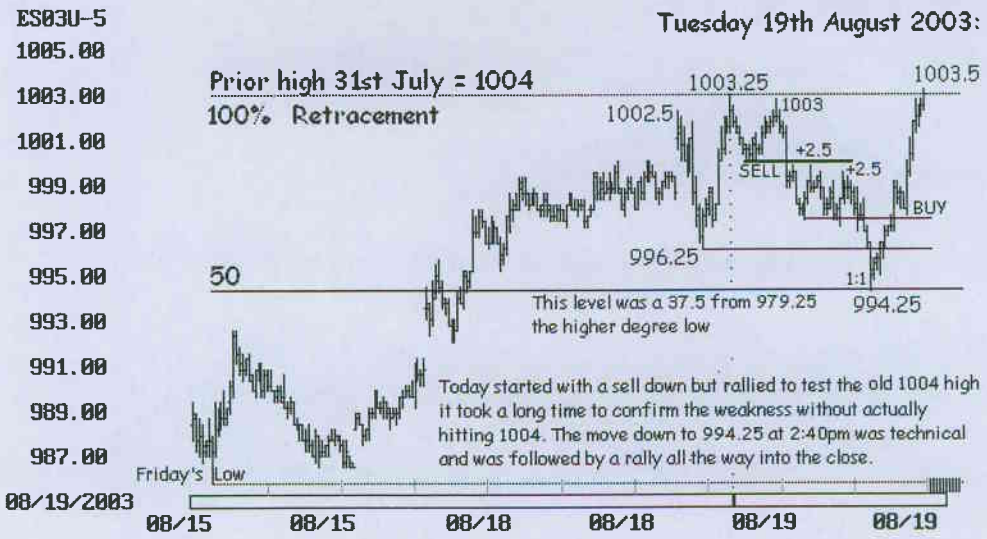


The more news I watch there is a growing bullish sentiment on the US markets, I tend to worry that they are talking it up! Especially when the market is struggling along like a swimmer with a rock tied around its neck.

Facts are the US money markets need to attract a billion and a half US$ a day from outside of the country and everywhere you look the European markets seem to be still in recession.

Well so it is, what's it matter anyway if I just go along one day at a time setting my guidelines and making sure I don't overlook anything. I know one thing going into tomorrow and that is I am going to give a test of 1004 a SELL shot with a tight stoploss and a break back through 993 gets it as well.

Tuesday 19th August 2003:



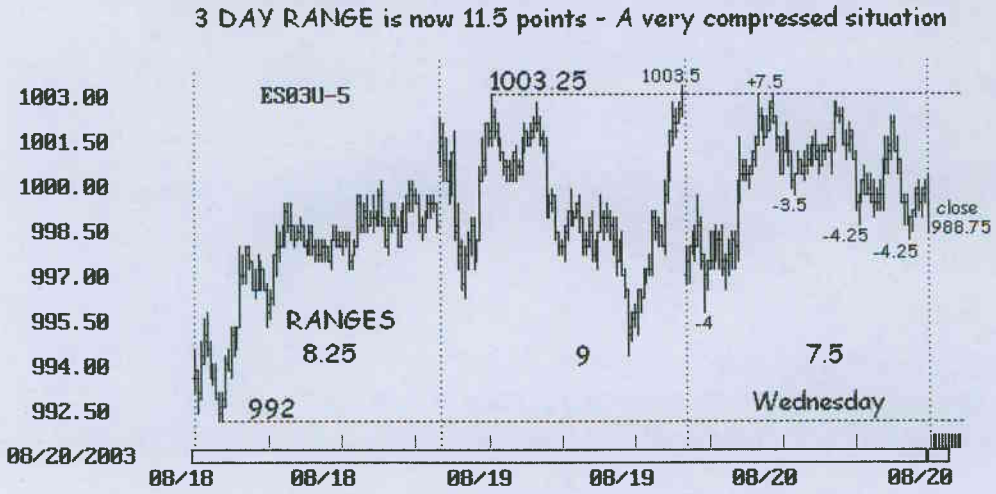
They sold it and then they bought it. After the strong finish today all you can say is this rally is resilient and keeps making some headway. The old high at 1004 is under attack once again.

There is a bunch of technical resistances overhead all the way up to 1015 if the 1004 high does come out. The market is clearly overbought right now on the daily chart. IMO this market is grinding up right now and until 1015 comes out it is susceptible to a sizable retracement down. The timing I had for yesterday hasn't looked like it has signalled a reversal so the plot thickens.

This whole consolidation pattern since the 17th June high needs to be resolved before the picture finally clears itself up. I wonder how all the other professional traders and analysts are finding the going right now?

BTW - 1004 has a 0.809 retracement relationship with 1014.75 to 958.25 so it holds some relevance in terms of Elliott Wave. After that a 1:1 with the rally back to the double top July 1-14 comes out at 1012.5 just below the existing double top.

Wednesday 20th August 2003:



Today came and went pretty much as it started. There were trades today but the opportunities were limited. I managed a gain of 6.75 gross points on 6 trades in the 7.5 point range, in fact the range I was in was less because I didn't begin until the double top. I could have done slightly better but I made a mistake and missed a short trade in the last hour.

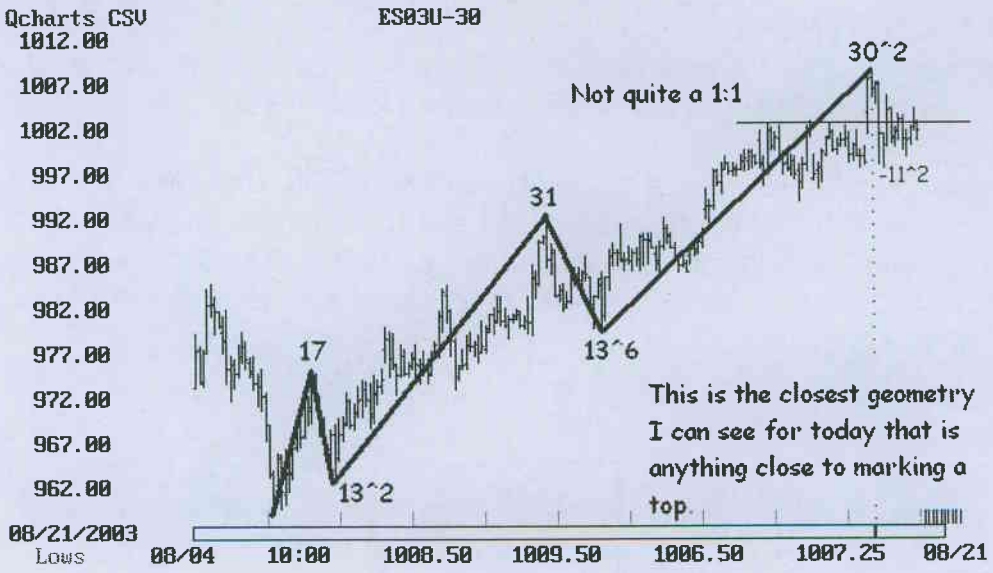
The total range for the past 3 days is down to 11.5 points with the mid point at 997.75 – this is something I haven't seen for a while. The traders are all focusing on the 1003.25 high then the 1015 area and trying to keep the market above 1000.

Another issue is that daily volumes in the ES have dropped back to half the normal active market levels. This can only mean two things and that is either no one is home or a lot of people have lost money recently. Not surprising because very few people know how to trade in tight markets.

My thoughts after today are that if the high at 1003.5 does not get taken out in the next day and the 1015 high within a week we could be in for a substantial pullback. All it is going to take is for some big players to recognise the opportunity and come in selling hard.

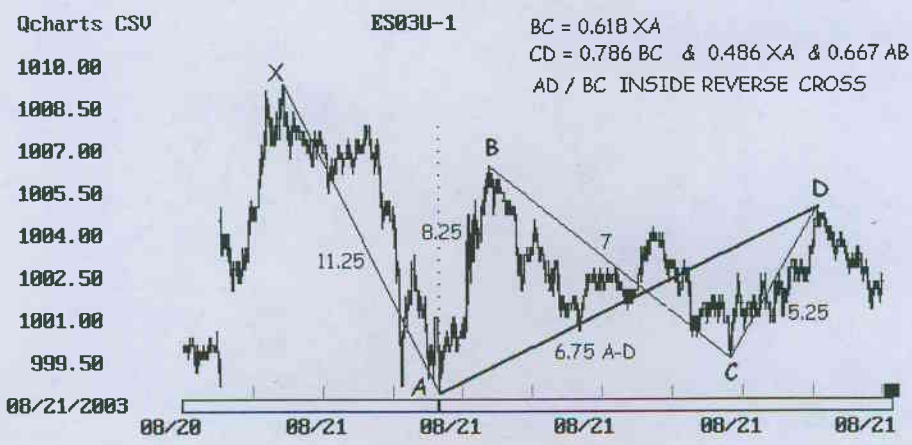
This market appears to be hanging around just waiting for some good news to prime it up. If it doesn't get it soon impatience among the bulls could set in as the media is now telling investors every day that we are in a new bull market. I wonder how they are so sure?

Thursday 21st August 2003:



The market opened at 1004.5 and retested 1003.25 slightly before making a high of 1009.5 at 10:08am and sold off. After a rumour hit the pit some time later that some broker had sold 30,000 E-Minis there was a panic sell off back down to a double bottom with the late afternoon low of yesterday (998.25).

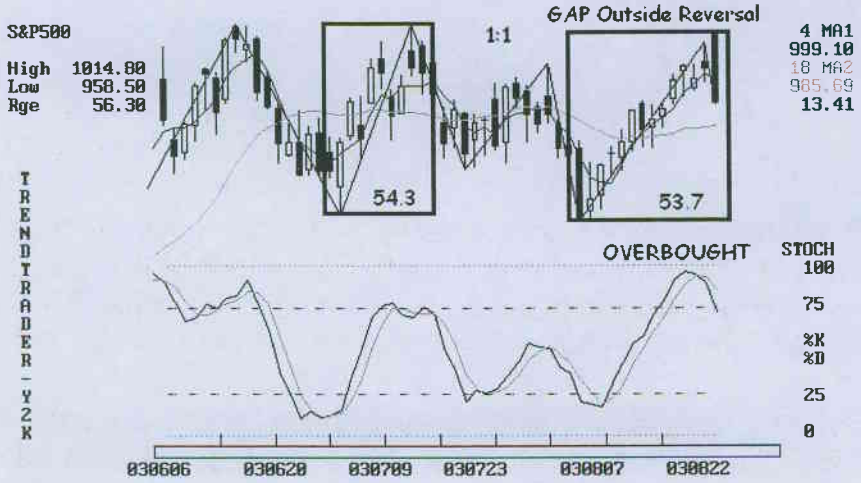
Other than a 73.3 retracement back to 1006.5 at 12:14pm after the 12:00am release of the August Philadelphia Manufacturing Index (which came in at 22.1 on a consensus of 10 and a prior of month of 8.3) all the waves following held a geometric relationship as the market ranges contracted until the end of the day. The close was back below the open and below the previous high 1003.5 so it remains to be seen whether a high of importance was made today. A decline of over 13.75 points from today's high is required to overbalance the wave series in force to date. Volume was greatly improved today although the market was spooked pretty easily on the rumour and an interview with a floor trader showed that they didn't have a clue what was going on. It was also pretty clear from the price activity.



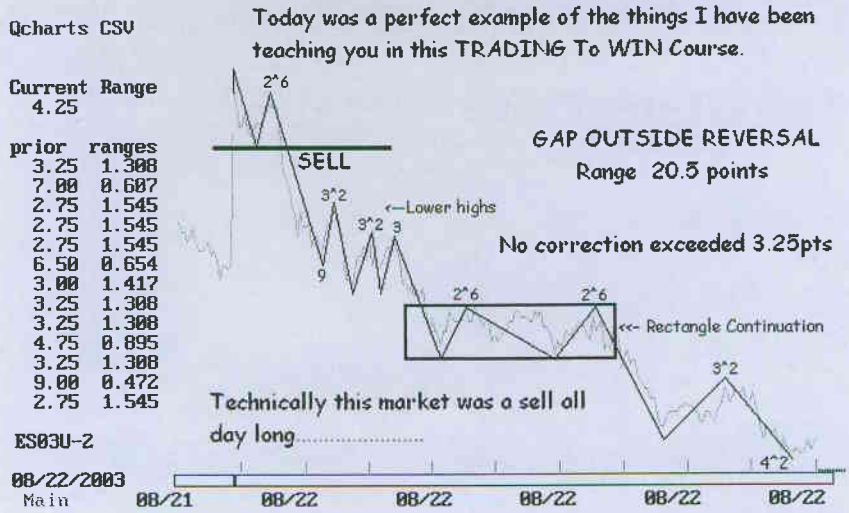
Friday 22nd August 2003:

WELL IT HAD TO HAPPEN!!!
The market went into Friday with a strong rally to new highs via the Globex session not long before the day session opened in New York.

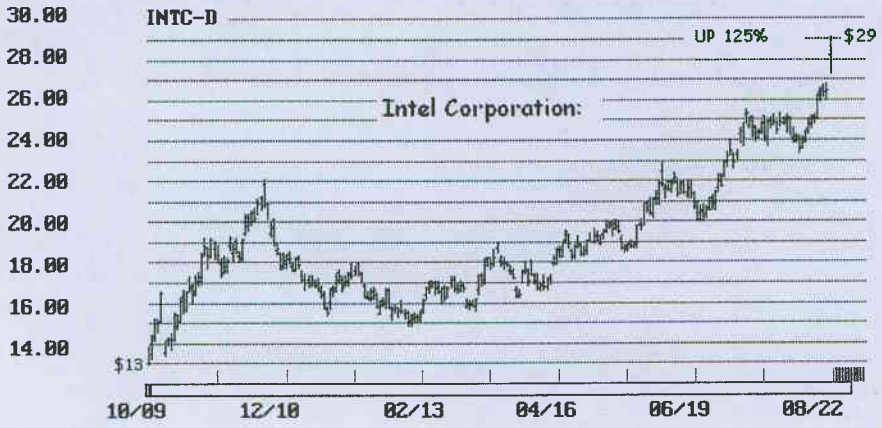
The reason was a pre-market announcement by INTEL that they had revised their turnover and profit estimates for Q3 and this was the news all the "blind Freddie's" were waiting for. The problem they had to encounter was it came when the market was showing signs of exhaustion and approaching heavy technical resistance levels.



I recognised it for what it was worth immediately and had it in mind earlier this week that 1012.5 (a lower high than the double tops) was going to be the linch-pin that would hang the bulls. Well they copped it from the open and couldn't recover all day.



The way the day started and the obvious treatment it got by the locals as they digested the INTEL news and figured it was not going to be enough to break the market up above the 1015 level. INTEL itself was trading at a PE ratio of 35/1 already and that was the cue to just SELL, SELL, and SELL every time the market could not break back more than 3.25 points on any rally. There was no more constructive news to come out through the day and being a Friday it was almost certain as the day wore on that no one wanted to go home with a long position.



In one session we have turned the 3-day swing back down, had a GAP OUTSIDE REVERSAL DAY and closed on the low for the day. Anyone who took the day off and is still long will be having a sleepless weekend.

Well another Friday has passed so we must do our weekly reviews. See S3:C2:P22.

The next thing to do is to calculate the next day's Make or Break levels, Balance Points and Price Retracement Levels.

I have done this in S3:C1:P12 to finish off that chapter and will go over what happens in the coming week or so to complete this chapter. I would hate to leave any readers in suspense if you are studying this manual in years to come.

One week on:

The decline from 1012.25 only lasted two days and the market has effectively been recovering for three days at this time. Economic reports released this week have been favourable overall with the exception that the recovery is not producing new jobs. We have a holiday on Monday and the market will be closed so Friday could be a mixed bag as traders take the day off.

Friday 29th August 2003:

The day began in a mixed mood and after a good report at 10:00am then whip sawed a little. The 1005^6 high was made on the 10:25am bar and the 1000^2 low on the 12:50pm bar.

At the end of the day we are only points away from a test of last weeks high and then a test of the 1014^6 major double tops from June and July. The high today has broken above a larger degree 1:1 and the 3-day swing is up so there is no reason why an attempt at the old highs should not be made.

Today was a very low volume day, which was to be expected, the WINDOW DRESSERS had an easy day for the end of the month padding up their portfolios.

The largest correction since the 990^2 low is 5^4 so that now becomes the first benchmark followed by the 9^4 yesterday. So long as the 9^4 does not overbalance the upward trend is still intact.

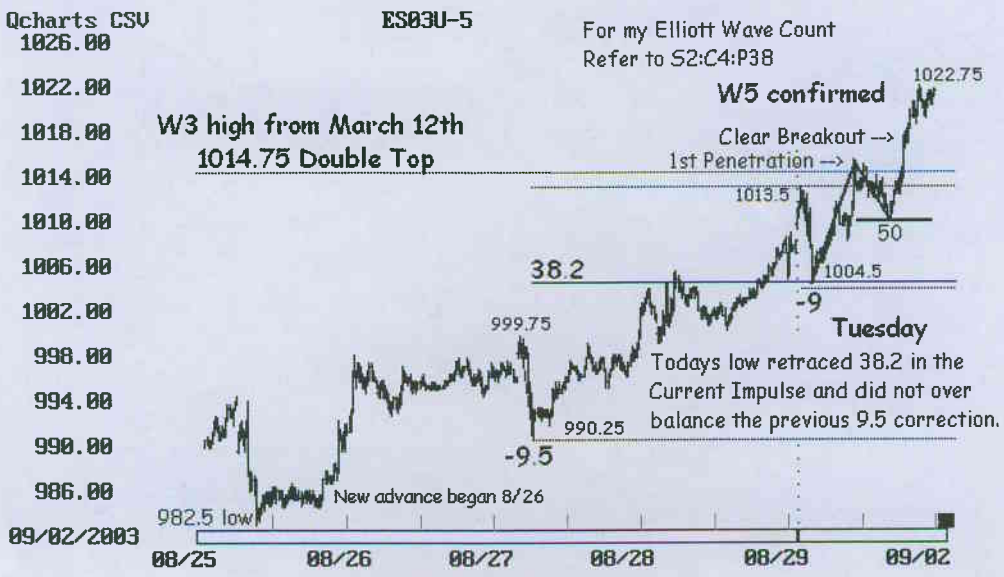
This week we had some good figures released regarding the economy which has everyone talking of a better than expected recovery, all we need to happen is for it to translate into stock buying. Then on the other hand maybe the market anticipated this and it is all factored in right now. My view is the bullish case overall needs to be confirmed with a break out of 1015 and the larger degree rectangle that has been containing this market.

This sideways movement has been going on since the June 17th high and the market has been trapped in a 54-point range. It is always possible it could stay in the range for a while longer but not realy likely now.

Only time will tell, so as I have said so many times before let's take it ONE DAY AT A TIME.

But now we have a chance to prove all the bearish pundits wrong and have them running into hibernation.

Tuesday 2nd September 2003: Hello! Wave 5 begins.....



I have written a report on today's price action in S1:C18:P110 as it was an interesting day.

The focal point of today's low was the attempt to break the 38.2 and overbalance the current wave series that began a week ago, this failed and indicated the market was going to attempt to go higher.

With the breakout to new highs above the 1014.75 Wave 3 highs we have a confirmation that we are in a Wave 5 of larger degree. This is pretty important stuff now because the bears have been kicked in the teeth by the bulls.

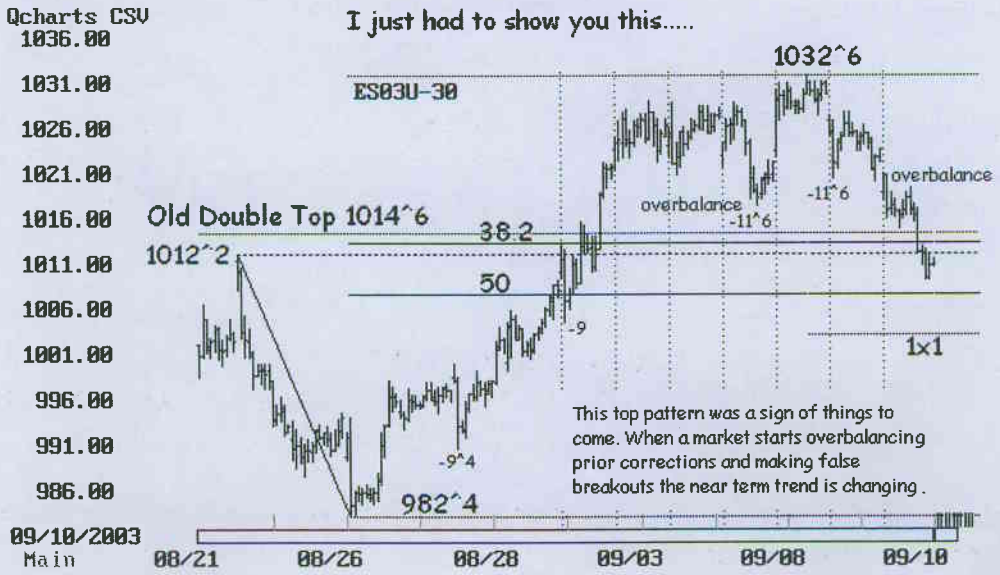
Psychologically the bears are going to have to rethink their position. They went into today fully committed after selling into the rally all last week. The net short position of the funds and the commercials is somewhat similar to where it was back in mid March when the S&P was 230 points lower.

The next time zone of any importance I can see ahead will be 180° from the March 12th Low and that is right on the contract rollover. I have to write a chapter on the contract rollover period for this course so I will cover what happens from now on in this new chapter. This will be chapter S3:C3.

By going back over and over this chapter you should be able to learn the correct application of my methodologies as each day passes. It is not difficult but it does require a discipline to remain flexible and follow your rules all the time. If you do these things the market will continue to tell you what it is doing and then all you have to do is isolate the points where you can initiate low risk trades to be a winner.

Wednesday 10th September 2003:

I just had to show you this pattern we experienced at the high on Monday.



A break out which failed to go on. The market had been experiencing weakness from Wednesday of last week and made a final gasp to forge ahead, it just couldn't do it. This is what I call a failure of larger degree.

You must see where the low today finished as it leaves a solid footprint to work off tomorrow.

El perfecto!

This is once again living proof of the methodologies I have been teaching you.

You must always remember the geometry keeps telling the story because this is all the traders have to guide them, all they have been taught to do in the last 100 years is to trade off the geometric levels. If you know this you will be able to predict how they will act next. Long as there are enough of them lying in wait at the obvious retracement levels the market will turn.

I suppose if there was ever a place to end a chapter such as this one it would be now. During the past month I have been writing these pages on a day-to-day basis. I have explained in reasonable detail the technical and the psychological aspects that are part of my personal trading plan. If I have not made my inner thoughts known over this time then it would be impossible that I ever could.

I think that you should always remember this chapter as a phase in my life where I didn't know what the market was possible of doing, but as I approached it on a day to day basis it was not that difficult to stay in front of the crowd.

Each day is a new day and with the news and the current actions of the players you will be influenced on how you should handle it. You watch, you plan, and you keep your daily and weekly analysis up to date. Do this and you can never get into trouble if you only trade situations that you understand.

Please remember life is not a dress rehearsal this is the real thing, make the most of it. It can be a lot of fun when you have the money to spend.

CHECK LIST YOU CAN PREPARE EACH DAY:

INDICATOR				
	Reading	Overbought	Oversold	Neutral
Daily Stochastic				
Daily DMI				
	High	Low	50% Level	Swing up/down
3 Day Range				
2 Day Range				
1 Day Range				
Daily Range	Yesterday	Day before	Avg 10 days	Rising/Falling
Daily Pattern	Up	Down	Reversal ?	Trending?
Yesterday				
1:1 MOB's	Lesser	Higher	Major	
Degree				
Retracements	Lesser	Medium	Major	
38.2				
50				
61.8				
Significant	Pattern	Levels of note	Support	Resistance
MOB 1				
MOB 2				
MOB 3				
REPORTS	For Today			Time released
Notes:				

I advise you to check all these things each day and you will educate yourself to get prepared! Over time these things will become second nature to you.

A little story for you on my trading psychology:

I was at the golf club for a few cool ones last night and nearly everyone had left except for a couple of close drinking mates and the barman who is also a friend.

Peter one of the guys I play golf with is an air traffic controller who I know well and enjoy his company and he was quizzing me about the markets and how to take advantage of them.

Mattie is the bar manager and John works for the Gold Coast City Council and manages South Stradbroke Island (A resort island not far from here).

Well unbeknown to me my reply shocked them because I started off talking about just playing poker with the other traders and trying to read their minds in so far as what they were likely to do next with the chart they had in front of them.

This at first didn't make a lot of sense to John but Peter works as a traffic controller at Brisbane Airport and saw the rationale. That is what he has to do every day when he is watching his screens. He has to work out if the pilots are following instructions or have they missed the plot!

Anyway after a while of explaining the mechanics of how I make a decision to buy or sell at the time I impressed on them that every position was never any good if it didn't go in your favour immediately.

Peter saw immediately what I was saying but John just rambled along totally confused and drank some more, but they kept asking questions and wouldn't let me go home. They just kept buying more drinks.

In the end John said well what about all that stuff you wrote in the DT&PAMT books you gave me some years ago.

I said, John that is information on the theory of markets that traders use to make decisions from and that is all. They have been taught all this stuff in one form or another for over 70 years or more. They know nothing else and they are obligated to use it for whatever result they can get from it.

BUT, What I do know because of it is what they are supposed to do and I just go with the flow. If the stuff fails to work I just go the other way because it is not working.

THAT IS WHY I CALL IT POKER. Now do you see my F..... point?

The deck is dealing a new hand all the time and you have to read it for what it is.

Peter understood. John was confused and Mattie the barman had no bloody idea, all he knows is how to hit a golf ball!

I hope you get this message as it is important to realise that the guys trading against you only have at best the same tools we do, and if they are not working you discard them immediately because something else is going on.

When the theory is working you embrace it and play the same game.

That is why you must cut any losses very quickly if you wish to be consistently profitable. If you don't the losers will eventually outweigh the winners because psychologically it is easier to hold a loser than a winner.

True fact :-))))

Section 4: Chapter 2:

My thoughts on how you should approach this business of trading:

Money management is everything if you want to succeed. You cannot afford to play this game from behind. You have to lead from the beginning and keep kicking goals or it is better to leave the field.

The first rule of business is to preserve capital:
No matter how many contracts you trade at a time if you end up down (5) S&P points on any single day you should quit. Quit because a loss of 5 points is easy to recover the next day, what you don't want to do is dig a hole for yourself that you can't get out of easily.

You will make your biggest mistakes in this business when you become greedy or desperate. It is just not worth putting yourself in that position.

There's an old saying known only to experienced traders.

"Better to lose your opinion than lose your money!"

The second rule of business is to take only what you know you can get:
Remember that small bites will add up to a meal. Only trade the regular patterns I have outlined for you that have a great chance of success. Don't try and reinvent the wheel.

Don't set your goals to high, it is much better to aim for 5 points profit a day but if you get lucky and make 10 or 20 accept it as a bonus. To many traders try and get every last drop out of a position and end up giving profits back. Take what you know you can get from the market and back off. If the market is trading in larger ranges expect larger profits from your trades. If the market is moving in small ranges then trade for scalps.

Just think about it.
There are 250 trading days in a year and if you only traded 100 of them and you made an average of only 4 net ES points per day per contract over a year that is 400 points or $20,000. Trade 5 lots and then it is $100,000, trade 10 lots and it comes to $200,000, 50 lots and you could make a $1,000,000.

If you study the patterns I have given you in this course and only picked on the most reliable ones to trade the results will astound you.

The third rule of business is to never enter a trade unless you have two very good reasons:

If you make a killing early in the day, my advice is to take the money and run. Let someone else have the rest and never be concerned about how much was left on the table. Once you have what you want get up and leave.

Times of the day to trade:
Set yourself a plan to trade only when the market is active. You can often trade between the open and 10:00am and make good profits if there is a trend in force and significant reports to be released at 10:00am.

Stay flat when reports are about to be released and wait until the market has absorbed them. There will be plenty of time to take a position once you have all the news.

I would rather trade either the morning session into 12:00 midday or the afternoon session from 1:30pm ET on.

The smart money as we know it often sets positions early in the day and exits in the later stages of the day. Volumes in the morning will usually be the highest for the day. They will taper off between 12:00 and 2:00pm and pick up in the last 2 hours of the day. Usually by 3:00pm you will see if there is going to be potential for a significant move in the last hour of trading.

There are always going to be days when you cannot work out what the smart money is doing (maybe on those days they just don't even know themselves). In cases where you feel like this it is better to quit for the day. Never push it if it is not going your way.

In lots of ways successful day trading is the equivalent of a job as a top jockey. First you study the form, then the field and select your ride. The starting gate opens and the field jumps, it is either a good start or a false break. If the race is on you manage your ride until you see the winning post.

Figure out what they are up to and you can't miss.

CONGESTIONS:
Whenever the market gets into a congestion phase that lasts for an hour or more it gives the players time to think and they will start to plan what they are going to do if it breaks out either way.

This results in a build up of stops on either side of the congested range. Your job is to figure out if they are going to buy the lower end of the congestion or sell it and push it down. Conversely the high end of a congestion phase could result in selling or them buying if it breaks to the upside. Usually the preceding activity before the congestion will be your best guide.

SIGNIFICANT SUPPORT OR RESISTANCE LEVELS:
These could be prior market reversal points where a double or triple top or bottom could form. If the market is struggling going into them expect it to halt for a correction when it reaches them. If the market is advancing rapidly going into them expect it to break through without much trouble.

Go back and review some of the daily patterns I have illustrated in S1:C18 and you will see what I mean.

50% RETRACEMENT LEVELS followed by a higher low or a lower high:
These are situations that everyone can recognise and the predictability of the market becomes self-fulfilling.

RETESTS OF SIGNIFICANT BREAKOUT LEVELS:
These perhaps result in some of the best trades because when they don't work they give you the opportunity to reverse back the other way.

GAP OPENINGS TO A NEW HIGH OR LOW for the week:
If the market opens to a new high or low for the week and then immediately reverses back to fill the gap and break back inside the weeks trading range high or low it is telling you that all the stops above or below the previous high or low have been taken out and that side of the market is exhausted.
Take the appropriate action immediately as it will often result in an excellent trade.

STRONG ESTABLISHED TRENDS:
Buy or sell the breakouts into new territory if the corrections are not overbalancing. The trend should be clear as a bell to everyone so the breakouts should succeed.

CHOPPY MARKETS:
As soon as you recognise a choppy market by the continual overlaps and tight ranges stop trading until the market finds some direction. Better to just take the day off instead of beating yourself up.

GEOMETRY AT REVERSAL LEVELS:
Make sure you always interrogate the market waves for signs of significant geometry whenever it appears to be having difficulty after making a new high or low for the week. I can't stress this enough because once you know the reasons why the market has stopped going in the existing direction it makes it easy for you to adapt to what will happen next.

OVERBOUGHT & OVERSOLD MARKETS:
Always monitor the position of the market relative to the indicators. Although markets can remain oversold or overbought for long periods of time the chances of a reversal at the next CARDINAL RETRACEMENT LEVEL have an extremely high probability.

SOME CLICHÉS AND RULES TO NEVER FORGET:

These are some old clichés I use to keep myself on track:

1. Trade with the trend. If the market is going up buy it, if it is going down sell it!
2. Old resistance becomes new support.
3. Old support becomes new resistance.
4. Every strong move will be followed by a correction, limit up usually results in limit down and vice versa.
5. Trend lines are made to be broken.
6. Never go to bed with a losing position.
7. Believe what you see and not what you think!
8. When in doubt, stay out.
9. Do not trade unless you have prepared.
10. Always have two very good reasons for every trade you take.
11. If the trade does not move immediately in your favour get out and start from fresh

Mark Douglas explains it beautifully.

"The market will never save you, you have to save yourself".

If I enter a position and it is not working immediately I get out and start again. There is no room for hope I am either right or wrong straight away.

You have to learn that the market is an evolution of fact. As the facts become clearer traders will act on mass and move the market.

You can tell when you are on an easy day by the 5-minute patterns and the way the market is adhering to all the things I have taught you.

If the signs are difficult to read then stand aside – no one is forcing you to trade. Never trade on emotion alone you must always have a clear technical and fundamental reason for each new trade.

Expect the unexpected!

Stay out of the forecasting business!

You have to think smart to last a long time in this business. Trade for the "NOW" when everything appears clear and forget what is possible tomorrow or next week.

If you study this course and follow the advice contained herein and you cannot become a winner then get out of the business because it is not for you.

Before I finish I just want to leave you with some words of wisdom to consider.....

GAMBLING:

To start with gambling is a disease. The average gambler or non-professional is a loser because he knows no better – he enters the game expecting to lose.

Professional gamblers can win at the games they know; only if they have studied the odds and they continually work on the correct money management.

To win consistently serious professional gamblers should only play the odds on opportunities they can recognise.

NOW.....

Most novice gamblers lose because they don't play it safe and continue to bet on anything they fancy just because they like the JUICE OF IT.

Also remember that if you bet just because you like the threat of the risk you will eventually lose.

TO WIN:

You have to maintain a strict discipline, treat your gambles like a repetitive job in a way that it often becomes very boring. The point is it no longer becomes fun.

If you want to win you just have to learn to be a mechanic and to get your fun elsewhere. Spending the rewards is fun!

I have learnt these basic home truths over the years by watching the faults of others. Continually remind yourself of them if you get on a losing steak, then go back to square one with the right attitude.

Bryce Gilmore
18th January 2004

Section 4: Chapter 3:

S&P500 – Some History:

You know something? I have been following the S&P500 amongst other things for well on 20 years now. I have seen it go through many phases of evolution.

I remember the crash of 1987 real well. When it happened it came after a progressively stronger active bull market that began in 1982. The S&P futures began trading in 1982 and as the bull market unfolded became progressively more popular with traders and trading funds. In those days the pit contract was $500 a handle (1 point).

It took the S&P 500 index two years to recover all its losses suffered in the 1987 crash. In all the time between 1987 and 2000 the market really never had any long periods in decline. There were a couple of periods of 12 months where the market went sideways but generally any sharp declines did not last longer than 90 days.

The one thing that sticks in my mind throughout the bull market from 1991 to 2000 is that all the way up there were many famous names predicting a top every month or so. I was occasionally guilty myself but when I did I usually only got the top of a correction. In 1994 I realised the S&P was not going to stop going up but as the market rose higher it would become more volatile.

At the end of 1999 when we had all sorts of predictions that the year 2K was going to confuse all the computers, and interest rates were getting higher again I could see the writing on the wall and warned everyone I knew.

The Nasdaq Index had gone through an unprecedented bull market and the public had been on a feeding frenzy buying into every new IPO available as they came to market. It was difficult for any sane person to justify the valuations as they were so far out of line with reality.

It was no surprise to me when the market rolled on its back and going down with the biggest losses coming from the overvalued tech stocks.

I thought back to the crash of 1987 and how the gold stocks had a good run after the 87 crash and how the real estate market went into a boom period as investors moved money made from the stock market into it.

Strangely or not so strangely the same phenomenon has occurred again and now we are faced with an unprecedented boom in real estate values.

It again surprises me now that so many analysts are comfortable with the valuations and that pension funds are buying up every bit of paper from the banks as they continue to advance funds to refinance existing loans.

I often ask myself where all the money is coming from. But the truth is the money is created out of fresh air and this has been so since the gold standard was dropped in the early 70's.

Now the first thing to remember about stock market indices like the S&P500 is that it represents the combined value of the top 500 companies listed on the New York Stock Exchange. This means that stocks come and go as new ones become worth more, as a result the downside is pretty well limited unless everything becomes ridiculously over-valued as it did in year 2000.

I remember back in 1987 after the crash that Robert Prechter jr. had an Elliott Wave count that he reckoned would take the Dow down to a level of 400. Its previous high had been 2746. How he dreamt that up I don't know.

It just goes to show you the lack of intelligent thinking in some cases. The DJIA is the top 30 INDUSTRIAL stocks in the USA so there had to be another 100 or more capable of replacing the value of the existing ones if they fell out of favour. We all know that business is not going to cease just because insane investors have bid stocks too high.

So you can ask yourself this question, where does the S&P500 index go to in the future?

It can only go one place, progressively up. Notwithstanding it will move through trading ranges along the way as long as it doesn't reach extremely over-valued levels based on madness once again.

The accepted benchmark in a healthy economy is to have the S&P companies trading between a Price to Earnings Ratio of between 15 and 25 to one. If things were to ever get as bad as we assumed them to be a year or so back the accepted lower end could be a PE of 10-1.

As earnings go up so too does the value of the S&P500 index, but it is hard to imagine we will ever experience a boom similar to the 1990's in my lifetime again. Maybe anything is possible after what we have seen recently!

In any case what I am leading up to is that in my opinion the bear market in S&P500 stocks must have terminated in October 2002 when the value of the index had declined 50% in value from its all time high. No doubt whenever it does get back to similar valuations as the March 2000 value it will have many new names on board.

But right now we are approaching valuations in the upper end of the accepted envelope. The only thing that can propel the S&P much further upwards would be improvements in earnings. That does not appear logical to happen overnight. So to my way of thinking it will pay you to keep an eye on the earnings estimates being released for the S&P500 companies as a guide. The stimulus policies of the FED and tax cuts et cetera, have turned the economy around in 2003 and most of the largest companies in the USA have restructured their operations to reflect on the bottom line. But they have done about as much as they can to date by cutting staff.

A good place to monitor these company earnings is through a membership at:
http://www.briefing.com

It's been an interesting 20 odd years following the rises and falls in the world's stock markets and the rationale that has been applied by others over this time.

As I am writing this it is the 31st of December 2003: There have been some continuing examples of bad news every so often mixed in with the good economic news. But the market is still climbing.

Unemployment and consumer debt levels are still a concern. It seems there is still a bunch of legal claims, prosecutions and bankruptcies in the system that need to be resolved before we can look to the future with confidence. There still has to be a few more hick ups coming out of the blue. I heard the other day that United Airlines, which was once the biggest airlines in the world, is effectively worthless and shareholders equity amounts to nothing. The same fate could still be in store for many of the old high flyers.

So right now it would seem that the base of the 2000-2002 bear market has not yet been fully established and somewhere up towards the 50% retracement of the 2000-2002 bear market range the current uptrend will run into obstacles.

We have exceeded some levels which are major industry decision points – the 38.2 retrace of the entire 2000-2002 bear market in S&P, the next major SPX level ahead is the 50% which lies at 1161 and just below a double top with the January 2002 high. This could be something technically important the traders may take into account as a sign to take profits from the bull market originating in March of 2003.

Nevertheless, I am not a forecaster I am a realist. I adapt to the daily current market conditions. It's the only way to trade in my book.

Each day the market gives me reasons to form a plan based on what went before. I only need to know if traders will decide to buy and sell, nothing more and nothing less. As long as I continue to believe they will act in a similar manner to the way they have done before, when the signs are obvious, I have every chance to be profitable.

I know all the patterns, I also have the news and as long as I know how to prepare for each new day in advance I am so far ahead of the field you can't believe it until you do it each day, then you will know for yourself.

The majority of market players are just a bunch of turkeys in my book. They will never know what I know. My methods are like having a gun to shoot the feathers off them every day I wish to if I make the choice.

Trading correctly is just a matter of attitude with me now and if you can develop my mind set you will succeed, and succeed well – with one proviso – you must quit every trade entry with a minimum loss if it does not move in your favour immediately; this is my number #1 rule. You better believe me, or you will suffer the consequences and I don't want that.

Some Final thoughts:

Throughout writing this course I have stressed the importance of reading the motives of the other players.

It is important in this trading game for you to have an idea what the big players are most likely to do given the seriousness of the unfolding patterns in the intra-day market movements.

I would like to remind you before finishing off that the individual professional traders are all doing the same thing. They know only to well that the market is made up of so many types of traders that they cannot allow themselves to take a view and stick with it when the patterns are telling them a different story. This allows them to remain flexible and in tune with the market movement.

There are so many funds and CTA's trading futures markets with very basic models and these do cause a lot of noise when they have large orders to execute. The primary reason why the market runs when a support or resistance level of some significance is broken is order flow. Once the orders begin to flow into the market the market will run until they are exhausted.

Intra-day reversals occur mainly because the market reaches a strong technical level essentially in an overbought or oversold condition. Those players with a winning position may choose to take profits, and unless there are orders to absorb their profit taking the market will reverse. You must always remember that the futures markets are essentially a zero sum game. When a sharp move in any direction takes place it will have half the field losing on it and the other half winning or retrieving prior losses. Human nature is such that moves will only extend when the trend and news is fully in agreement and large position holders are forced to liquidate positions that are causing extreme pain.

Being aware of the mechanics that will propel the market from one price level to another is paramount to your success. The Stochastic and the Parabolic (SAR) are good warning indicators on a 5-minute chart that the equilibrium is out of balance.

You will see what I am talking about if you also watch the volume bars when indicators are showing potential reversal indications.

Successful intra-day trading is all about identifying opportunity, nothing more or less. As the market weaves along the signs of where the professional players are buying or selling becomes fairly obvious. For instance if they are buying a correction level and holding the market in a range and cannot get it to move they will eventually reverse position and take it the other way along the line of least resistance; Generally in the afternoon period when every piece of news for the day has been evaluated.

Each day you must prepare before you trade, and then when the bell rings you observe the price action relative to technical signals that may have some importance to the professional players.

When the technical clues don't appear to be working you then have to resort to the mood or feel of the market as your best guide and just move with the patterns.

If the market stagnates in a tight range you are better to wait on the sidelines for guidance rather than to try and guess what it will do next.

Over a day the market will provide numerous set-ups for you to make trades. As long as you get straight out when they don't work immediately you will always be ready for the next one.

There is an old saying, "The market always appears to be climbing a wall of worry".

This is true most of the time because the punters are never convinced how far it can rise before other traders will come in selling. And you must remember that the professional side of the market realise this and at any sign of weakness are prepared to sell to make quick profits.

Selling at the correct time in an up trending market is an art only known to professional players, the public have very little knowledge of market levels and tend to enter positions at any old place, mostly when it fits close to some indicator reading they have spent months studying.

The public are basically inconsistent whereas the professionals are consistent and give you the lead most of the time. Professionals use close stops, the public and funds use wide stops. The funds have deep pockets and most of the time they will hang into a position until their models tell them to exit. This is why on most occasions a reversal bar on a 5-minute chart can be marked with a high volume spike as all the orders in the flow are exhausted.

For any fast move to continue the volume must keep rising as one side keeps pushing the other through their pain limits.

To be successful day trading you have to teach yourself to only focus on the "Now" and forget everything else. You have to look at what is happening on the day or the hour and think a few steps ahead. You must look back across your chart and observe prior support and resistance levels that could act as future support or resistance and when the market tests them act immediately if they hold or break.

Don't wait until the market gets away from the decision point because if you do you cannot adequately control your stop loss and without the correct money management you will fail.

If I were you I would read these last pages each day prior to trading so when you enter the ring you will have a clear and concise view of what your daily job is all about.

As I have said so many times before - Believe what you see and not what you think and take it one day at a time.

Anyway this is about all I have to say right now, I can't do anymore than I have done to prepare you for a life in the trading arena.

I wish you well, I hope you succeed, but it is still up to you to do it, nobody else can do it for you.

Recently on December 14th I had a devastating experience when I crashed my car into a steel electric light pole and totalled it, I was in ICU for 5 days and I was lucky I didn't die but if I did it would have been my fault, I know that much. Now that I am 90% recovered and slowly getting better I want to tell you that my long-term goal now is to enjoy my life.

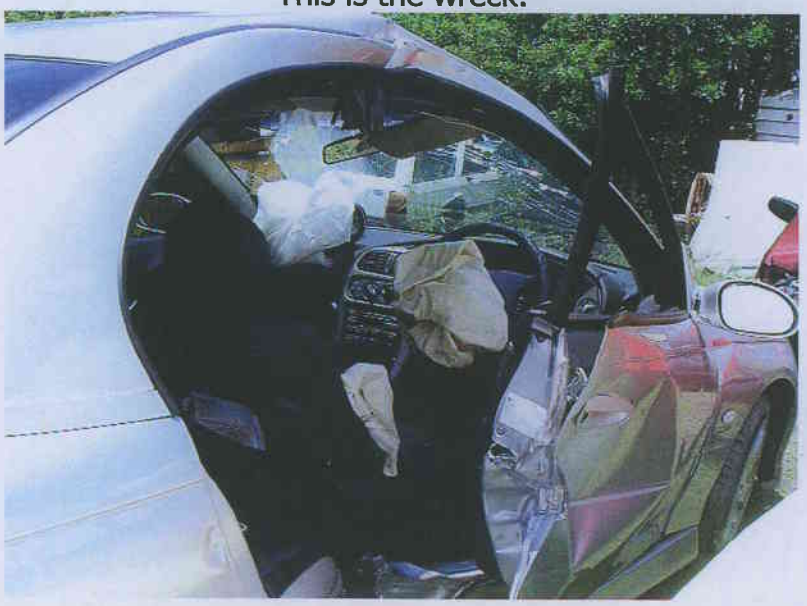
I also have other trading tools I can sell you to make your life easier with the trading decision process but you must be a worker to use them effectively. As you learn more about the markets you can always come back to me and ask me questions, I might be only working 2 days a week in future but that will keep my interest up. When I feel like a week off I will take it.

I hope you guys who buy this course will embrace it for its true merit and go on to bigger and better things.

I am sure you will if you follow my rules – if you don't well I can't be responsible for your actions.

Bryce T. Gilmore.

This is the wreck:



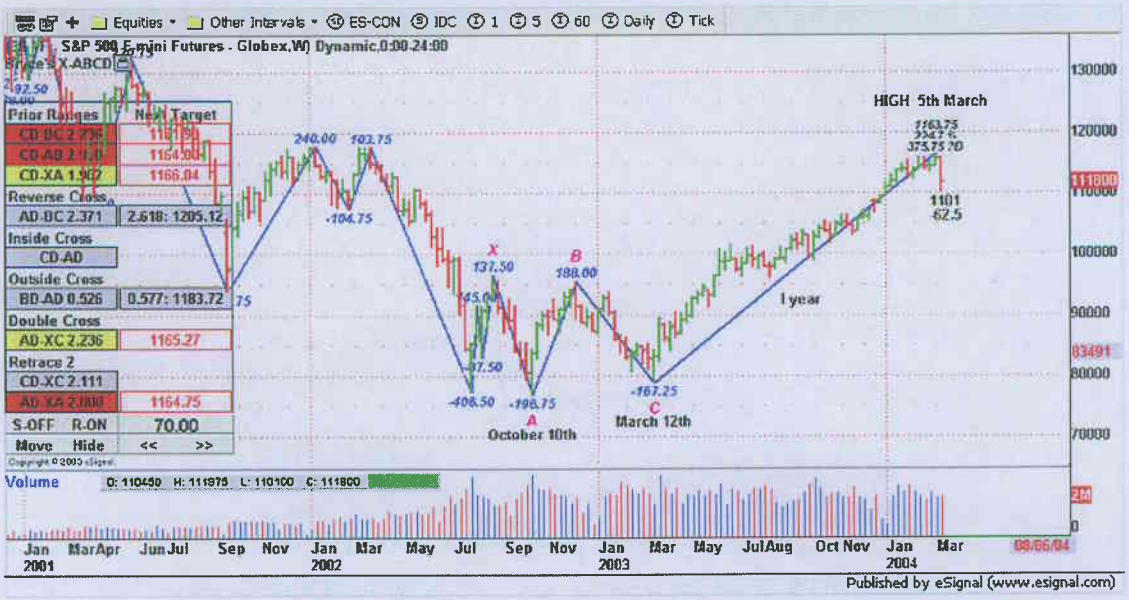
Section 4: Chapter 4:

Esignal Routines:

It is now the 13th March 2004 and it has been nearly six months since I first completed the original draft for this course.

Since the original text was completed in September of 2003 the S&P index has had six months to forge its way ahead some more, but right now it has the staggers up as this week has seen the deepest correction since the low of a year ago. The futures high last week came in at 1163.5 and the SPX cash high terminated at 1163.23, the 50% retracement level of the SPX Bear market from 2000-2002 calculated to 1160.75.

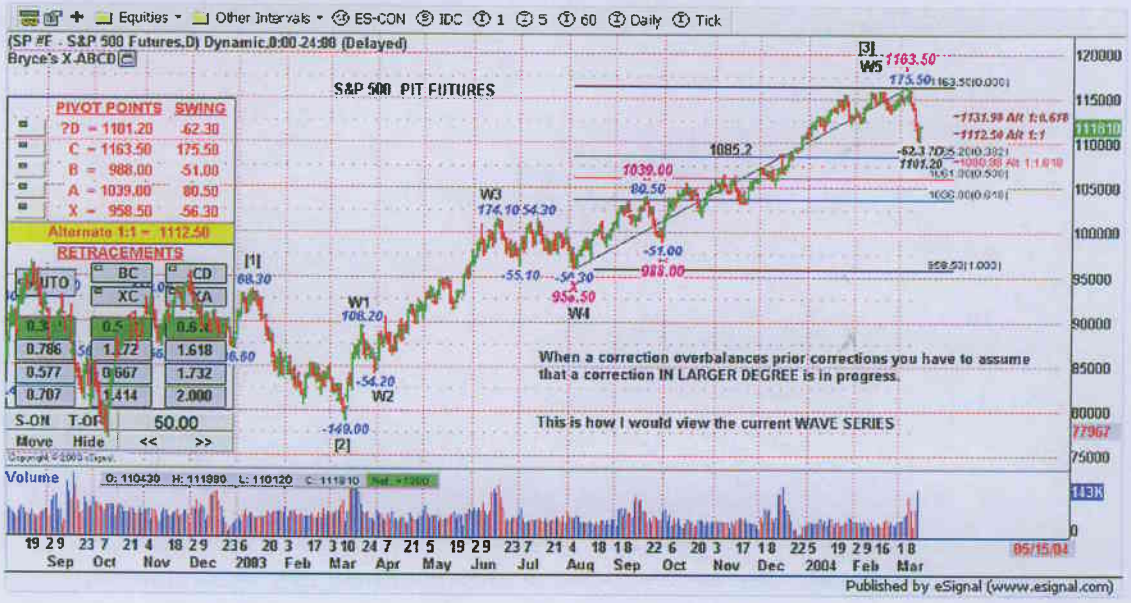
This week has seen a range down from the high on the futures of –62.75 and exceeds the previous largest correction on the advance from March 2003 by 5.25 points. This overbalancing implies at this time that a top of some major wave degree similar to the June 17th 2003 top is in place.



Incidentally I have now changed my live data service to ESIGNAL, as I found Lycos very uncooperative when I encountered some problems back in October 2003. Their representative thought he was smart but now they will lose thousands of dollars of business because of me. Revenge is so sweet.

Since moving entirely to ESIGNAL we have developed a formula add on to work within ESIGNAL live charts so we can save time each day on my geometric price & trend analysis. It is called **Bryce's X-ABCD system.**

S&P 500 – 1st Month Continuous PIT DAILY


S&P 500 PIT FUTURES
When a correction overbalances prior corrections you have to assume that a correction IN LARGER DEGREE is in progress.
This is how I would view the current WAVE SERIES
Published by eSignal (www.esignal.com)

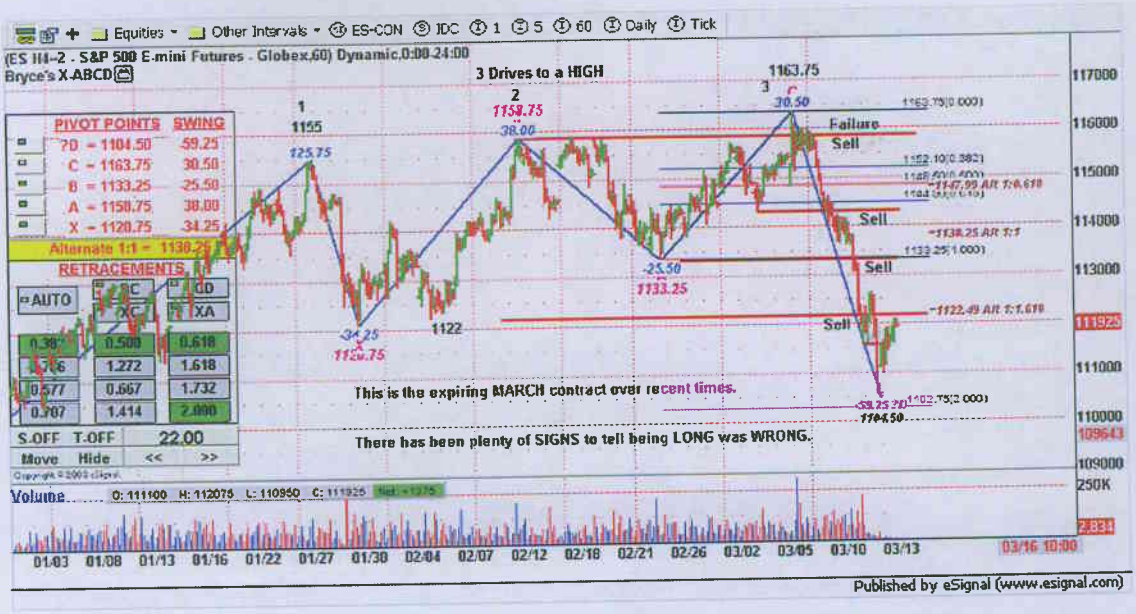
In six months the net gain is about 80 points or about 8% from a chart I posted in S3:C3:P42 when we rolled over from the September 2003 contract. From the beginning of January 2004 we are basically at break even.

This week we went into the rollover from March 2004 to June 2004.

There is a support zone on the 50 of this XC range at 1096.95
This roughly corresponds to a 38.2 from the 988 low at 1096.5
If it breaks 1096 the next supports will come from the 958.5 - 1163.5 range.
The current move down from the high has exceeded the previous two correction waves of 34 points.
And also the others of 51 and 56
High volume day today
Published by eSignal (www.esignal.com)

The only logical conclusion you can reach looking at these charts is that the S&P is losing steam and the profit takers are moving in. There was a feeling all along that the professionals only expected the S&P to reach 1170 (the levels of the 2002 highs) but with PE's hovering in the 25/1 and higher zone on the Blue Chips they are finding it harder to find growth stocks to buy.

ES March Day Session - Hourly over the past two months:


(ES H4-2 - S&P 500 E-mini Futures - Globex,60) Dynamic,0:00-24:00
Bryce's X-ABCD
3 Drives to a HIGH
Failure
Sell
Sell
Sell
Sell
This is the expiring MARCH contract over recent times.
There has been plenty of SIGNS to tell being LONG was WRONG.
Published by eSignal (www.esignal.com)

There has really been no excuse for not knowing what was going on lately. The last two breaks to a new high failed without gaining hardly any ground. The top #2 only managed 3.75 points above top #1 and was followed up with a series of triple tops, top #3 did a little better breaking out by 5 points before failing. But look at the sideways hesitation after the 1163.75 high before it fell out of bed. The market was saying the writing is on the wall that it couldn't find the buyers to keep it going up.

Now the only problem coming up is that we are in the rollover period to June and the prior swing points on the June chart have been made at different levels on low volume. But the SIGNS are all there and they were saying to you LONG WAS WRONG. Look at the JUNE ES below.

(ES M4-2 - S&P 500 E-mini Futures - Globex,60) Dynamic,0:00-24:00
Bryce's X-ABCD
Simple Break of Trend Line
Failure to regain trend ->>>
Stays below here it is history for a while.
READ THE SIGNS
It's this period of the rollover I don't like much.
Globex low is 1101
Published by eSignal (www.esignal.com)

After evaluating the current weeks action and the reaction up on Friday I have mapped out some levels on the June ES where the trend should confirm down again.

We would have to go up for another two days for me to think that this week's downturn was only temporary.

The maximum upper target lies on the 38.2 at 1125. If it breaks above that I would begin to consider buy signals again.

Always maintain a flexible attitude just in case your technical opinion turns out to be wrong. It has been wrong many times in the past before.

Now for tomorrow:

What you must realise is that the S&P market is just an ongoing AUCTION, where each day new buyers come along to buy and old buyers or new sellers come along to sell.

The BID quotes are buyers and the ASK quotes are sellers. Each side has a perception of their own position strengths and weaknesses based on whatever values they use to guide them. They then place orders they believe to be suitable to their own needs. They could be right about the market going up or down or they could be totally wrong.

As each day passes the market moves along within levels that satisfy what we refer to as MARKET FACILITATION.

MARKET FACILITATION is a fancy name for the willingness of buyers and sellers to meet at a price that satisfies both sides.

If the buyers are not willing to pay the current price sellers are asking, the price will go down, as sellers will have to reduce the LEVEL of their ASKING PRICE to make sales. On the other hand when buyers are keen to buy and there are limited sellers OFFERING, the buyers have to BID up the price to meet the sellers. Therefore the market is always controlled by the actions of the willing or not so willing SELLERS. In other words it comes down to this, if the SELLERS are URGENT to quit positions the market declines. If they are not urgent to sell the market it either stays where it is or it rises as the buyers are prepared to pay higher prices.

In the futures market there is a difference that needs to be considered, as you don't have to own anything to be a seller. You just have to have the perception that if you sell now when there are no apparent buyers the market will go down, and then you will be able to buy back later and make a profit. This is probably the main reason most downward moves are usually fast affairs and end abruptly as the phantom sellers cover positions to collect their profits. Yet in a sustained downtrend where the selling is coming more from the owners of stock it won't find the same support in a hurry.

If you understand the conditions that cause the sellers to take action, and where the selling is coming from or not coming from, then you will have an idea of how long a downward trend could endure for.

Currently the S&P has recovered 50% in value from its bear market lows and as a result holders of stock who have ridden out the declines of 2000 to 2002 are now recouping their book losses encountered over the past several years. My opinion is that it would become attractive for them to sell out now.

I'm sure you can understand why anyone who has held stock through a two year bear market feels right now when they may be close to breakeven.

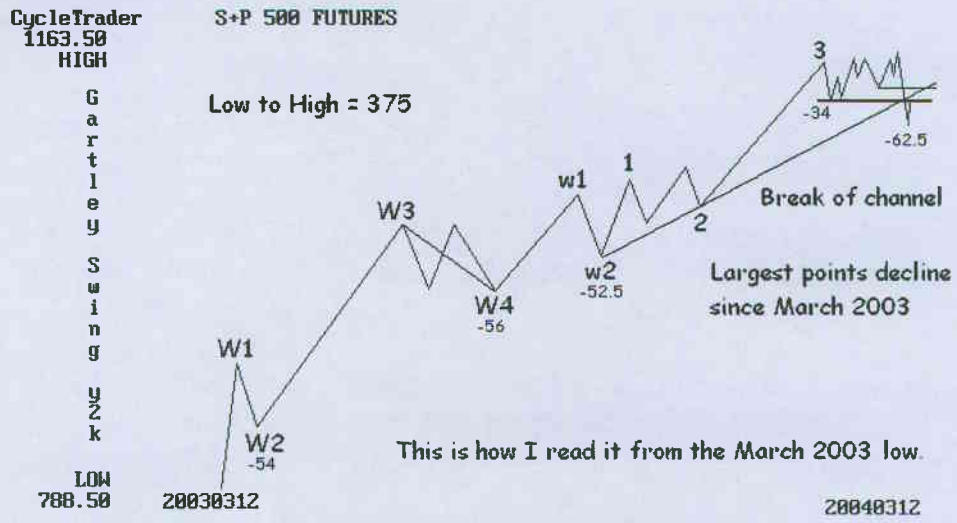
Although I am going to review the next few days trading as it unfolds in the S&P you will never be able to understand what happens hour to hour unless you were there to experience it. I will try and give you an accurate account of what I see happening over this coming period and then you may be able to learn from it.

No matter what does happen you had better understand that I am going into this coming week with a bias from my prepared analysis. The three-day trend is down and Friday appears to be only a short covering rally. Yet if something changes and the market does not flow with the trend, I will change my opinion very quickly if certain price levels are exceeded.

My main point right now before we see what happens is that to convince me we have long liquidation in this S&P market and not just speculator selling, this market will have to stay below the 38.2 retracement of last weeks decline. That level is around 1125.

I have a clearly defined plan in mind and I have contrived it around the logic I understand to motivate market trends.

The chances of a prolonged LONG LIQUIDATION from these levels are quite real in my mind, yet only time will tell. The lynch pin to me at the moment is the 1100 level. If it breaks, the immediate future for the bulls would look rather bleak and attract more selling.



This is the picture every technical trader has of the S&P 500 position as we transit the weekend. For the first time in twelve months the move down last week has exceeded all prior corrections by a significant amount. This coupled with a break of the uptrend line is signalling weakness. There is no other conclusion you can come to.

Only a rally back above 1125 would give the bulls one more chance to get out, and the logical thing for them to do is take it.

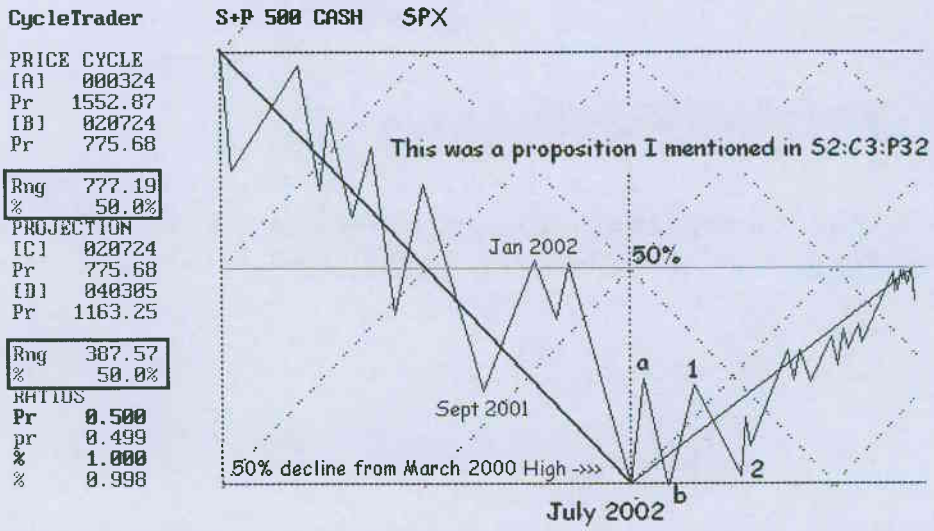
My longer-term Elliott Wave perspective:

Way back in June 2003 when I was writing Chapter 3: Section 2 of this manual I outlined a proposition on my thinking of the Elliott Wave position.

Now that the SPX has made this March 5th high of 1163.25 it is putting it to the test. The percentage decline into July 2002 was 50% down from the top and this latest high is 50% up from the July 2002 low. The 1163.5 high is also 590 days from the July 2002 low – that is 1.618 years.

In Gann & Elliott terms this would be a terminal signal.

I just wanted to point it out to you at this time, because it is there and it makes plenty of technical sense to me.



Whether it will mean anything to you just yet remains to be seen but if the market continues in the current weak state it is in it will mean something to you in the future.

The reason why I favour this wave count is because the low in October 2002 was a "false break affair". The day of the low the market made a gap opening went to the new low for only minutes and then made an outside reversal on the day.

Now you can see the detail I have gone to with my analysis of the current market position. This is what it takes to remain in control of your personal destination in this business. I doubt very few people would take the trouble or for that matter even know how to go about it.

If you want to make a success you need to learn the things I am teaching you, you must learn to analyse the market with a fine toothcomb. I always strive for perfection – nothing less is satisfactory in my book.

Monday 15th March 2004:

The day began with an opening print of 1115 and made a high of 1116 from there on the market just began to slip away. Throughout the morning session there were many interviews on Bloomberg with analysts predominately saying the market was a sell at these levels.

The only ray of hope for the bulls came after the market double bottomed with the day session low of Friday and rallied back 38.2 % of the 16.25 point leg down. There was no clear indication to sell the first time the market came back to 1110 but on the second test it was a sell when it reversed at 1110.25.

There were several easy sells to be had from the opening print right up until the 1103.5 reversal level at X on this chart, as the corrections on the way down were 3.25 and 3 points respectively and the waves down went 8.5, 8 and 6 into the double bottom. Another 2 points down would have got it to the 1101 Globex double bottom and made it a and 8.5 – 8 – 8 or 8.5 down so there was no way it was going to break 1101 on the first attempt.

The low for the day was 1101.5 forming a double bottom with the 1101 Globex low from early trading on Friday. This low was made very late in the afternoon and a short covering rally finished off the day. 1100 remains intact once again and today was effectively an inside day with the trend still pointing down.

After today and the start to the week the bulls will be nervous coming into tomorrow as we have an FOMC announcement from Chairman Greenspan to be released. Speculation is, they won't raise rates but then we already know they won't lower them anymore either. There could be a surprise coming, who knows?

Tuesday 16th March 2004:

The market opened up and went to the 61.8 retracement of 1119.75 and 1101.5 at 1113, made a double top over 20 minutes and started to go sideways. So far I have made 5 trades. The results were +1, scratch, -1, -^4 and +1^6. I should have just sold the 61.8 and put a stop above it and went to bed. Greenspan is not speaking until 2:15pm ET so the chances this thing will do much until then is remote now. With the established pattern so far the support on the downside lies on the 1:1 at 1108^2 if the 1109.25 double bottom comes out so there is no value in selling it to gain half a point. It would need to break below 1108 to confirm a sell now. The other point is 50% of 1101.5 to 1113 lies at 5.75 down from 1113 or 1107.25 so there is very little room to move before 1107 is taken out.

The bias is definitely down in my opinion but the opportunity is limited now until we get below 1101. I won't be bothering to trade again before 1101 is broken, that is the all clear sign for me to get back into it. Some days you can know what it is doing but it is difficult to make trades with a potential to run far and you just have to keep scalping.

12:15pm ET

The first break of 1109.25 was arrested at 1108 with a rally back to 1109.75 before this snap was taken with the market testing the new 61.8 at 1105.75. I haven't traded anything since the 1109.25 double bottom on this move because I recognise that I should have been short from 1112.5 where I took my first trade and just held it all day. It just shows you after the fact that you don't need to have feathers to be a goose.

12:30 ET and the GAP has been filled – that's a buy sign for floor traders especially in the luncheon period. Yet the trend is definitely down on the day and it doesn't seem to be having any trouble breaking short-term technical supports in this period leading up to the FOMC announcement. My conclusion now is if the FED comes out with something the market is not expecting it will fall apart so a break of 1100 will be a good trade.

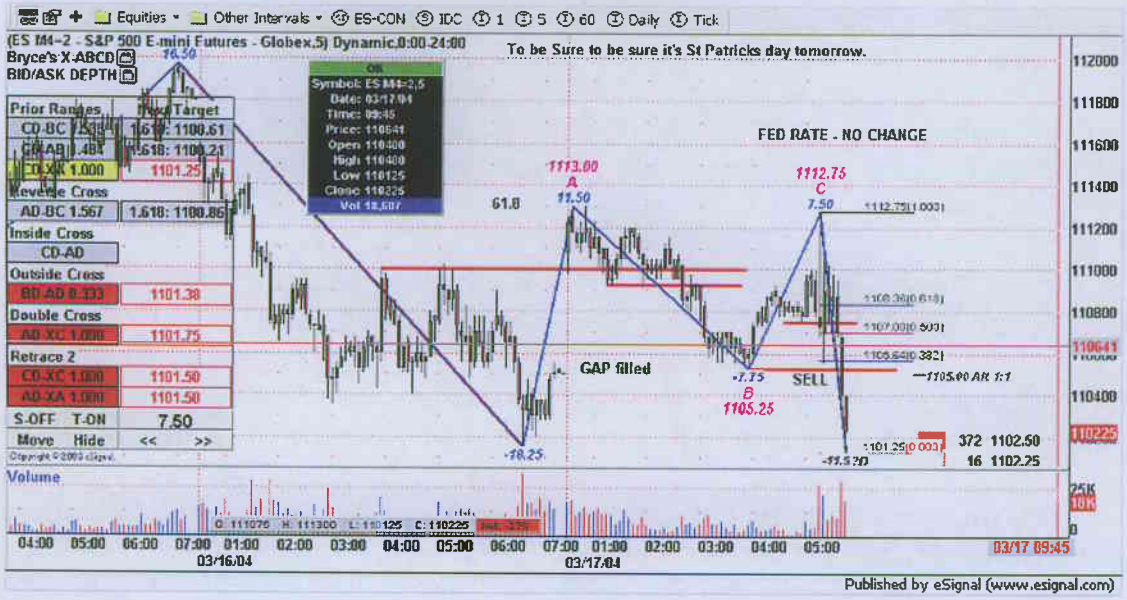
1:30pm ET:

It never ceases to amaze me. The market comes and goes throughout the day. Some minutes ago it came right back up to the 50% retracement and coincided with the 1109.25 break out to the down side earlier today. I let it go then but now it is a better chance to reverse here since all the supports were negated earlier. As they say in the classics you are always a chance if you go to a dance. The potential here if I don't get stopped out is 7.75 down to 1101.5 – we will see, I think it is a chance but I will only hold it if it is winning until just before the FOMC announcement.

I scratched that trade for break even before the FOMC announcement. The announcement at 2:15 ET came out as UNCHANGED and the market went crazy, have a look at this and just remember what can happen on days like today. It rocketed to a daily double top and then fell like a brick to near a daily double bottom in the space of 5 minutes, then went back the other way again. Someone made some money – but who?

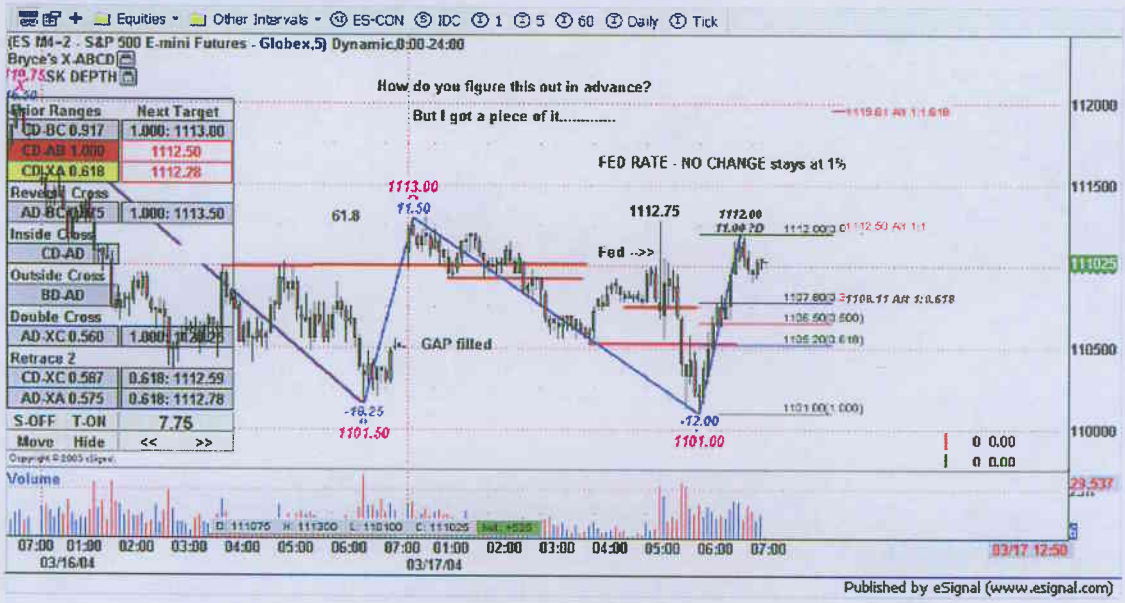
2:40pm ET Business as usual:

Now the feathers from the Turkeys have settled it is time to get on with business as usual. The trend was down so I sold it and it just plunged, it was good for a quick 5 points back to the 1101 area.



Amazing day really but it could go backwards and forwards here unless it breaks below 1100.

THE CLOSE OF THE DAY:



Well another day is over and what did you learn?

It pays to take every day one at a time is what I think, that is the best approach.

Wednesday 17th March 2004: St Patrick's Day

How do you evaluate yesterday going into today? I'm not exactly sure but one thing for certain is that the 1100 level is the support. 1113 and then 1125 is the upper resistance. This at least leaves us a lot of options and that is all we need to know to work effectively.

Who cares what happens tomorrow? I don't.

You will realise after a while that this business is just a Merry-go Round. The contest each day is to read the tape correctly and outwit the other players as the day goes on.

You should give this some thought if you want to succeed; it is the best advice I can give you.

In this course I have given you the means to outwit the other players, but it is still up to you to do it. I can do it so now there is no excuse for you.

Each day the market opens and does what ever, but it leaves SIGNS for us to take advantage of. What more do you want in life?

The market got off to a good start today opening above the 1113 resistance from yesterday. The old high at 1119.75 heralded a pause in the rally as sellers moved in for a while. This 1119.75 level now becomes the hypothetical support. My target for today is 1125 maximum, now we are 2 hours into the session we have seen a high of 1122.75, which has some ratio. I would still like to see it hit something solid like the 38.2 and give a reversal signal before I sell it. If it doesn't make it to 1125 it will have to come back through the support zone to signal a sell.

1:15pm ET:

This market is a buy right now off the 1119.75 supports. Potentially it could go to the 38.2 at 1124.5 from here.

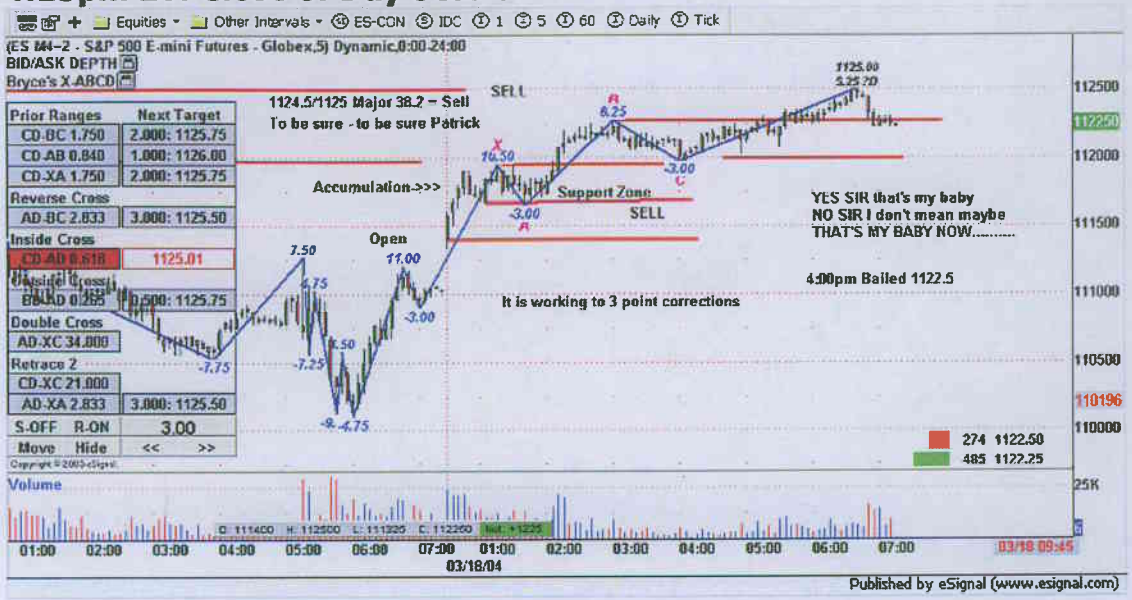
Observe the 3 point corrections on the way up. Also the 1119.5 high this morning was 1 tick from the old high of 1119.75 and 2 ticks short of a 1:1 (11x11) up.

A break back through 1119.5 would signal a sell. A break back through the next lower correction low is at 1116.5 and that is a definite sell point.

3:45pm ET.

Now this is the moment of truth, only problem is that we are getting real close to the end of the day and we ground our way up here on low volume. Makes me wonder, but I sold it and put a stop on at 1125^2.

4:15pm ET: Close of Day Session.



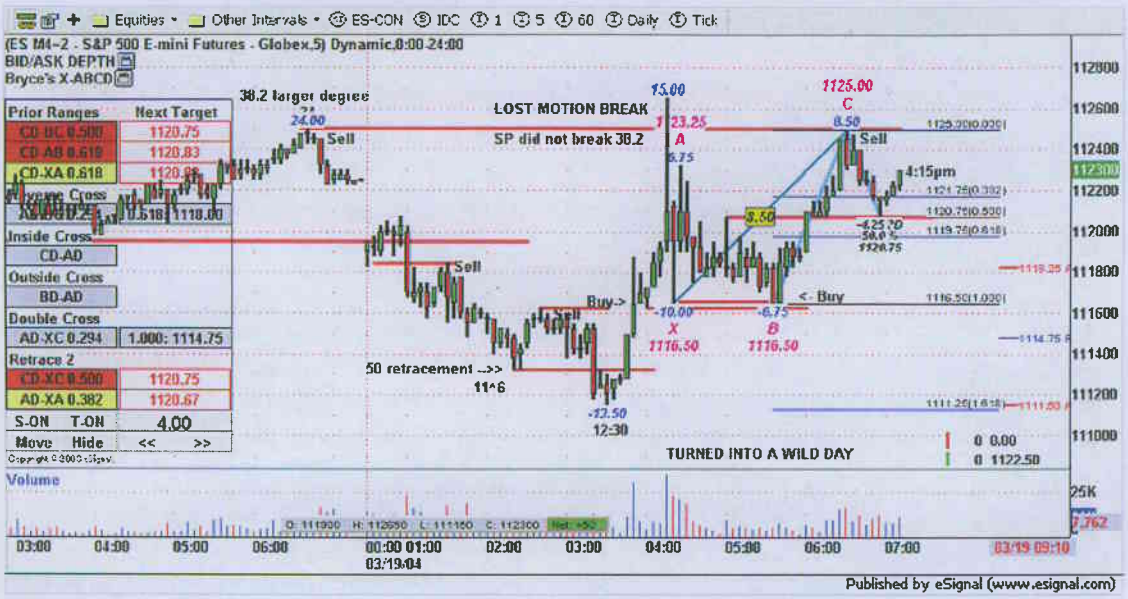
The trade was there but the lateness of the day killed it. Still I shouldn't complain – never look a gift horse in the mouth. There is something else to be learnt here as you could have been thinking, "what if the market went up 1:1 with the previous 6.25 point move?" The answer to that one is the larger degree retracement levels take precedence over the minor degree waves.

Now what about tomorrow? Well we will have to wait and see won't we?

But tomorrow is the last trading day for the March ES contract and we have the triple witching with the options expiry. There could be a war break out between the bulls and the bears. One thing I do know going into tomorrow for sure, "for sure Patrick" is that above 1125 is a buy and anything else lower is a sell.

I saw somewhere somehow that the sharing of knowledge was a gift – then the phone rang and got me off track so my original thought was lost.

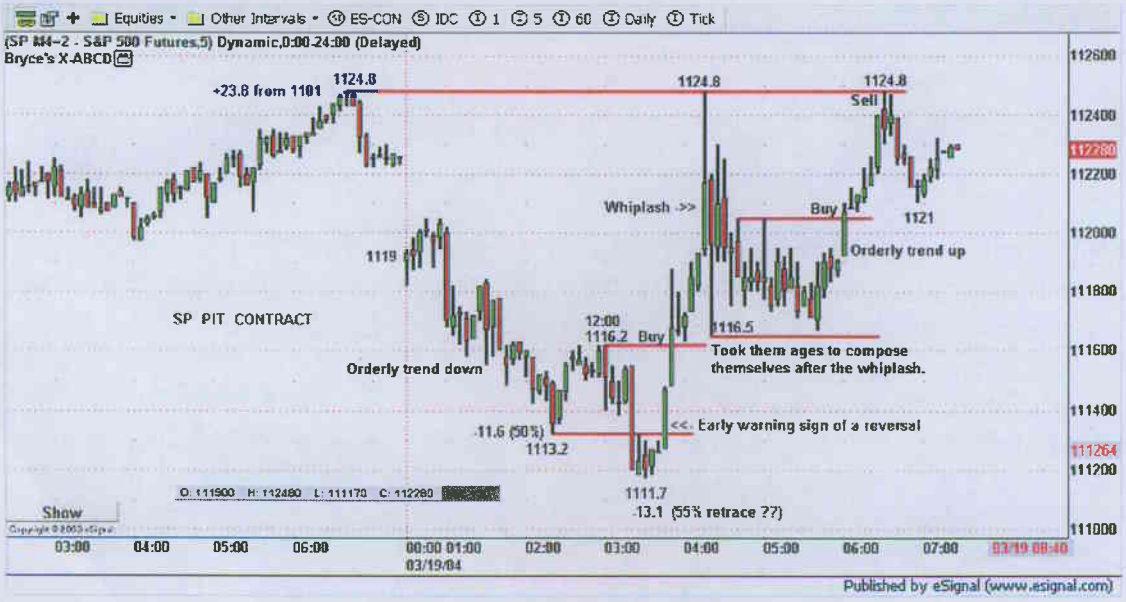
Thursday 18th March 2004: Last trading day March SP & ES:



Turned out like I figured, a battle between the bulls and the bears!

The early morning economic indicators released at 8:30am had the Globex on the run and set the market up for a slide in the day session. It wasn't until 12:00 that the Philadelphia Fed manufacturing index was released, and came in much lower than forecast. The market dropped suddenly, then rallied, then gradually proceeded down breaking through the 50% (1113) retracement low of the range 1101 up to the 38.2 high at 1125. The trading through this period was on relatively low volume.

SP



At 12:30 ET from a low at 1111.5, without any geometry, the market starting moving up on news that a chief al-Qaeda aide of Osama bin Laden had been cornered by Pakistani troops. As this news became more widely known it fuelled more buying. The break back through the 50% (1113.25) retracement low was the first sign of a strong rally brewing. The 12:50 bar, which broke back through the 12:00 O'clock highs at 1116 was made on extremely high volume indicating a BUY. It didn't take long as the frenzy continued to run all the way back up to 1125 where the SP stopped dead in its tracks, but the ES broke through to 1126.5 on lost motion. Then in the following 4 minutes the market whip lashed back down wiping out most of the gains.
The market had gone from news driven and then back to technical selling as profit takers moved in.

It's funny how these things happen but you can guess that there was a WALL OF SELL orders that went market at the double top of 1125 based on the resistance 38.2 retracement of yesterday. There also would have been plenty of orders to buy just above 1125 for a break out, but when the SP never took out the double top they would have been cancelled quickly. When things like this happen it reinforces on you the importance of the ratios we use and also the fragility of the ELECTRONIC EXECUTION SYSTEM used at the CME.

ONE MINUTE BARS

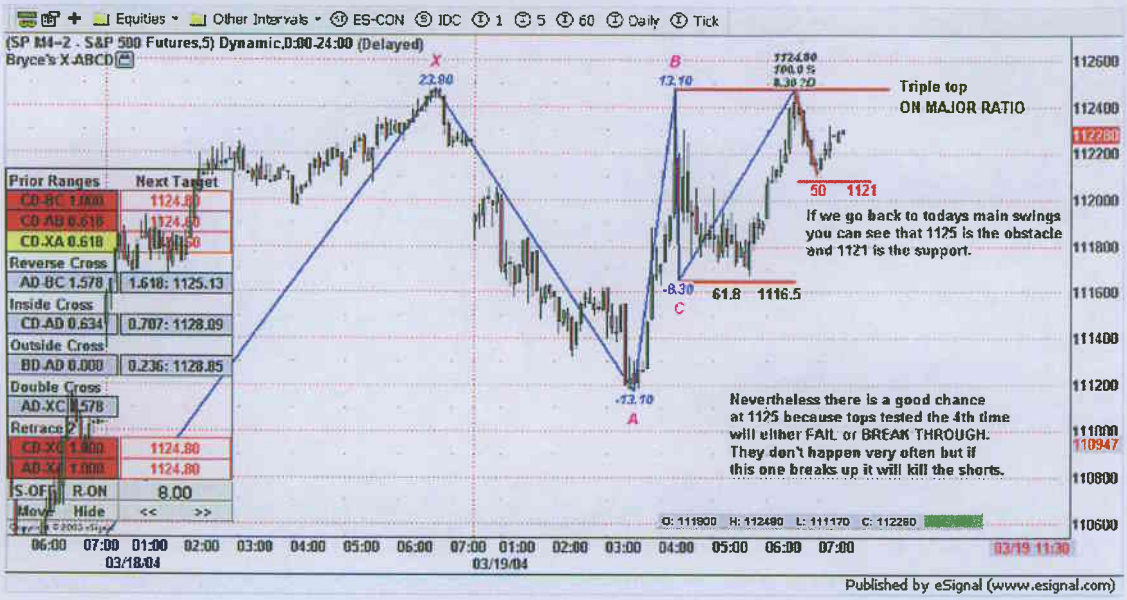
The guys that were caught long at the top had to scramble to get out and this would have added to the flood of selling over those next 4 minutes. It was as if the market was caught in a down draft.

Now the market has closed at 1122.75 only one tick from yesterdays close. As one of my students commented after the close – anyone not following the market closely during the day, and who logged on after the close to check how their 401's were going, would have thought that the market did nothing on the day! ☺

Far from it, fortunes changed hands. Now we can ask ourselves the next question. Where does the market go onto tomorrow? I have the same answer to that one I had yesterday - just prepare properly and see what happens.

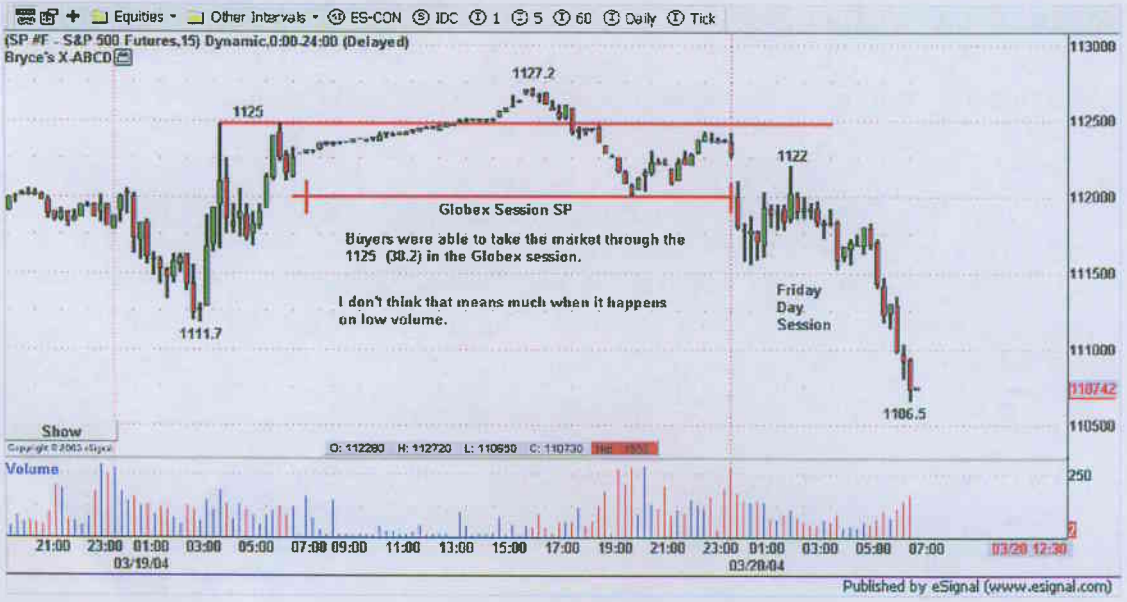
So here is the preparation:

SP Chart


Triple top
ON MAJOR RATIO
If we go back to todays main swings you can see that 1125 is the obstacle and 1121 is the support.
Nevertheless there is a good chance at 1125 because tops tested the 4th time will either FAIL or BREAK THROUGH. They don't happen very often but if this one breaks up it will kill the shorts.
Published by eSignal (www.esignal.com)

The 1125 level is the RESISTANCE, but at the same time it could be broken as all the bears know that, that is their vulnerable point or their Achilles heel right now. The three-day swing is UP and the market is in a two-day position so that if it takes out 1125 it signals more upside. To make the bears comfortable the market needs to go below 1121 first and then 1116. That's my feelings for tomorrow and I will work around them.

Friday 19th March 2004: Settlement of March Options and Futures.


Globex Session SP
Buyers were able to take the market through the 1125 (38.2) in the Globex session.
I don't think that means much when it happens on low volume.
Friday Day Session
Published by eSignal (www.esignal.com)

One of the questions I am regularly asked is how do I deal with the Globex session when it makes a higher high than the day session and appears to negate the geometry in force at the time?

In today's case Globex made a high of 1127.2 breaking above 1125 which we have as an important 38.2 from earlier in the week.

My view is that the SPX (Cash Index) overrules the futures when it comes down to assessing the larger degree technical picture.

SPX

Considering the fact that we were going into Quadruple Witching there was bound to be an effort by vested interests to ramp up the price on one side and for others to try and push it down.

When the day session opened the market was back down below the 1125 so I still would have figured that to be my decision point to confirm the market was going higher. When you look back at the earlier part of the week the market found support just above the psychological 1100 but could not rally above the 38.2 of the prior two-week decline.

The talk all week has been of concerns on the employment front. Tech stocks are said to be over valued and have been in decline. As I pointed out a couple of weeks ago the insiders have been building sizeable short positions. The funds are finding it considerably more difficult to find growth stocks that they can invest in for the longer-term. The overall market has basically been range bound since the beginning of February.

And the most important technical information we have to go on is the market retreat over the last few weeks is coming from a 50% retracement to the entire bear market of 2000-2002.

Friday's trading:

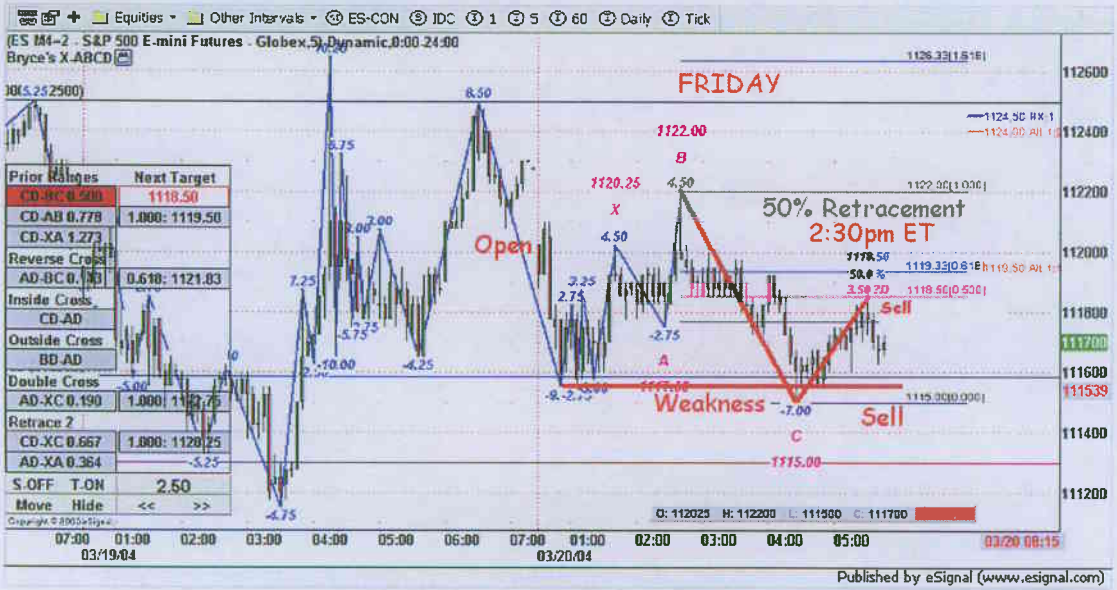
I went out for dinner and didn't come into my office until 5:00am (2:00pm ET).

My thoughts as I studied my charts were that the market was exhausted to the upside, and as it was late Friday the bulls would want to bail out before the weekend close. It was snowing in New York, so many of the Wall Street traders would leave to go home early. There was no news left to come for the week so the market would work itself to the technical signals.

At 2:30pm the market reversed on a 50% retracement of the days range giving the 2nd SIGN it could go down from there. The 1st SIGN was the false break of support at 1115. I just figure that any other professional trader who was thinking along the same lines as myself would sell the 50% retracement and as the lows for the day were on shaky ground it wouldn't take any effort for them to break.

Nevertheless the safe sell was on a break of 1115, as that would be a good confirmation that the bulls had given up on the day. The next technical support below 1115 was at a double bottom 1111.5 and a 1:1 down from 1118.5 – pretty simple to work out. If after that if 1111.5 came out the market would just slide for the rest of the afternoon.

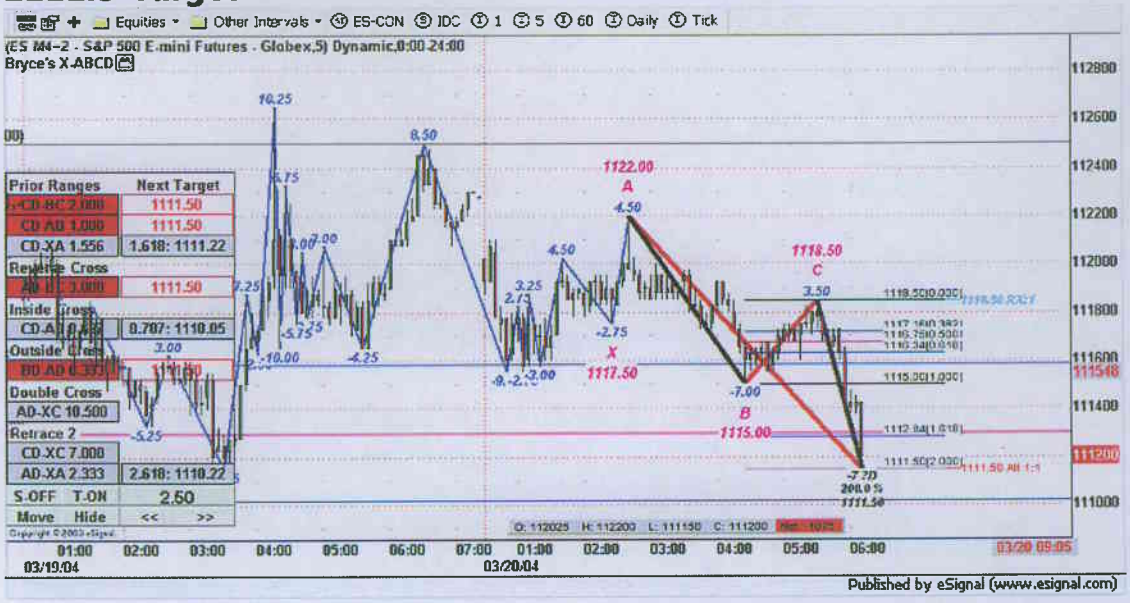
ES



When you see what happened after this it will explain to you why **LOGIC** together with technical knowledge plays such an important part in your trade selection process.

Once you know how the money players think on mass, trading to WIN becomes easy.

1111.5-Target



After achieving the 1111.5 target I had the market stabilized for a short time and rallied a small distance back up. The signs were still pointing down and by now it was 3:38pm ET and getting late. There was very little chance the buyers were going to come back now.

1111.5 - BREAKS:

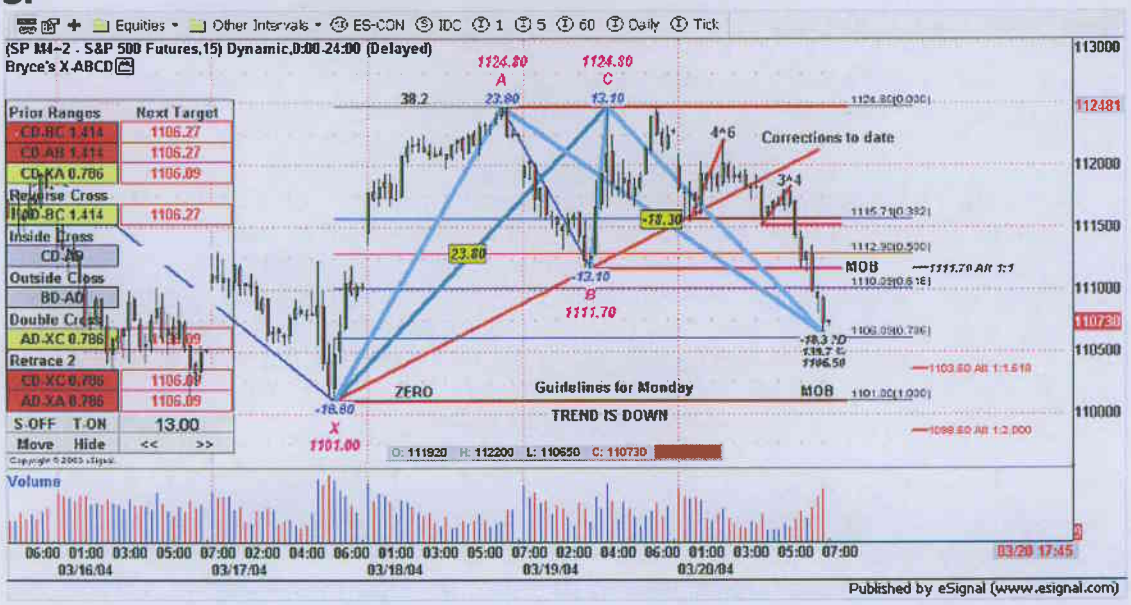
The bulls had packed their bags and so it went on down into the close making lower lows and lower highs. It never looked like rallying itself out of trouble, as it had to rally more than 3.5 points to overbalance the 50% retracement.

Now we will have a couple of days break, refresh our minds, and then come back Monday and keep on doing the same old things we do each day.

Nothing changes it is just a disciplined game.

Starting point for Monday:

SP



I'll be using the SP levels from the day only trading as my guide to the technical signals. Notice how the market when it came down Friday had no obvious support at the 50 and 61.8 retracement levels. I think the reason for this would have been that most of us were not confident with the 1125 high when the ES day and SP Globex traded higher intermittently as the market was testing its highs throughout the latter part of the week.

The thing one has to remember as we go into next week is that all the distractions of the expiring contracts and option contracts will be out of the way. The larger players will have to assess their longer-term position and renew building up positions in that direction.

Personally beforehand I don't know what will happen each day or in the longer-term. But as new information becomes available each day I will know how to handle it. If you follow my approach you will also know how to handle it.

The truth is it takes work and if you don't **watch and listen** to the market you will never make a success. You could say that understanding the market is not unlike understanding a high maintenance wife, predictable at times and totally unpredictable most of the time. When you find the market is acting in an unpredictable manner you only have to stand aside until you can get back in step with it. The market is only a bunch of people acting in a rational or an irrational manner on mass when it is all said and done.

The more you study the market action each day and see what they do when all the technical signals line up you will have a passport or key to WIN. As long as you approach the market each day with a clear head you will be OK.

From Briefing dot Com

Weekly Wrap March 19, 2004

If you didn't count Monday and Friday, it would have been a pretty good week for the market. However, when those two days are thrown into the mix, the balance of power quickly shifts back in favor of the bears. On those two days alone, the Dow, Nasdaq and S&P were down approximately 250, 70, and 30 points, respectively.

The retreat on Monday was attributed to concerns over al-Qaeda's reported responsibility for the Madrid bombings. Meanwhile, the retreat on Friday, which was a quadruple witching options expiration day, occurred largely in the afternoon trade. Presumably, the expiration activity contributed to the late sell-off, along with some frustration on the part of speculative accounts that were banking on confirmation that Osama bin Laden's right-hand man, Ayman al-Zawahri, had been captured. Reports on Thursday indicated that it was likely that al-Zawahri had been cornered by Pakistani troops.

Whatever the motivation might have been, Friday's pullback ensured yet another down week for the market. The losses were most pronounced among the big-cap technology issues and small-cap stocks. With the market in corrective mode, their underperformance stands to reason as they had the biggest gains last year, and thus, have greater vulnerability to profit taking activity.

Comparatively speaking, the Dow fared the best among the major indices for the week as it declined just 0.5%. Gains in 3M (MMM 79.76), which increased its Q1 and FY04 guidance, Caterpillar (CAT 76.30), AT&T (T 19.65), and SBC Comm. (SBC 24.62) underpinned the blue chip average. Microsoft (MSFT 24.63) was a notable drag, though, as it withered in the wake of reports that it failed to reach an agreement in settlement talks with the EU. Shares of MSFT now stand just a little more than a dollar above their 52-wk low.

From an industry perspective, the employment services, Internet software, steel, home entertainment, gold, household appliances, machinery, footwear, managed health care, and oil & gas equipment were your relative strength leaders. On the other end of the spectrum, the department store, systems software, computer & electronics, health care equipment, home furnishings, commercial printing, semiconductor, and semiconductor equipment groups were the notable laggards. Semis were particularly weak, as evidenced by the 4.5% decline in the SOX Index and the utterly disappointing IPO of Semiconductor Manufacturing International, which fell 17% from its offering price.

Commodities, once again, had a strong showing as the CRB Index was up 3.2% for the week, driven by ongoing supply concerns. Oil prices, which are the most watched of any commodity, tacked on another 5.2% and ended the week at $38.08/bbl. Gold prices, meanwhile, posted their biggest weekly gain this year, shooting up 4.3% to $412.70/oz on persistent safe-haven buying interest following the Madrid bombings.

The yen was a star performer on the week, too, as it gained 3.7% against the dollar with Japan making waves with its declaration that it will be backing off its intervention efforts to weaken its currency.

The Treasury market was pretty much flat for the week with the yield on the 10-yr note at 3.77% by Friday's close. That was off its best closing level of 3.68% earlier in the week as traders booked some profits from the overbought market. A stronger than expected PPI report for January facilitated their efforts as did the speculation that al-Zawahri might soon be captured.

The FOMC meeting on Tuesday was largely a non-event as the fed funds rate was maintained at 1.00% while the directive repeated the stance that the Fed can be patient with its accommodative policy. Some added attention was given to the slight change in wording of the directive with respect to the lag in hiring activity, but for all intents and purposes, there was little that was new in the Fed's stance. Economic data this week was mixed, but generally supportive of a rebounding economy.

There was nothing in the way of substantive earnings warnings and the earnings news itself was solid with Lehman Bros. (LEH 85.19), Bear Stearns (BSC 86.86) and Morgan Stanley (MWD 59.61) highlighting the action with blowout reports. General Electric (GE 30.14) announced it was acquiring InVision, but more importantly, indicated Q1 and Q2 earnings should be at the high end of its target ranges.

The encouraging trend in earnings is a major factor for why Briefing.com believes the market's recent struggles are nothing more than a normal correction within a bull market. That correction arguably has more room to run, but even so, we remain grounded in our moderately bullish long-term outlook and forecast for a mid- single digit gain in the market this year.-- *Patrick J. O'Hare, Briefing.com*

Index	Started Week	Ended Week	Change	% Change	YTD
DJIA	10240.08	10186.89	-53.19	-0.5 %	-2.6 %
Nasdaq	1984.73	1940.47	-44.26	-2.2 %	-3.1 %
S&P 500	1120.57	1109.78	-10.79	-1.0 %	-0.2 %
Russell 2000	582.84	570.69	-12.15	-2.1 %	2.5 %

What's in store for us next week.....

Economic Calendar
Week of March 22 - March 27

Dates and forcasts of upcoming economic releases.

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Mar 22	00:00	PPI	Feb	DATE TBA	0.5%	NA	0.6%	
Mar 22	00:00	Core PPI	Feb	DATE TBA	0.1%	NA	0.3%	
Mar 24	08:30	Durable Orders	Feb		2.5%	1.2%	-2.3%	
Mar 24	10:00	New Home Sales	Feb		1130K	1100K	1106K	
Mar 25	08:30	Initial Claims	03/20		340K	NA	336K	
Mar 25	08:30	GDP-Final	Q4		4.1%	4.1%	4.1%	
Mar 25	08:30	Chain Deflator-Final	Q4		1.2%	1.2%	1.2%	
Mar 25	10:00	Help-Wanted Index	Feb		39	39	38	
Mar 25	10:00	Existing Home Sales	Feb		6.25M	6.20M	6.04M	
Mar 26	08:30	Personal Income	Feb		0.3%	0.3%	0.2%	
Mar 26	08:30	Personal Spending	Feb		0.5%	0.5%	0.4%	
Mar 26	09:45	Mich Sentiment-Rev.	Mar		94.1	94.0	94.1	

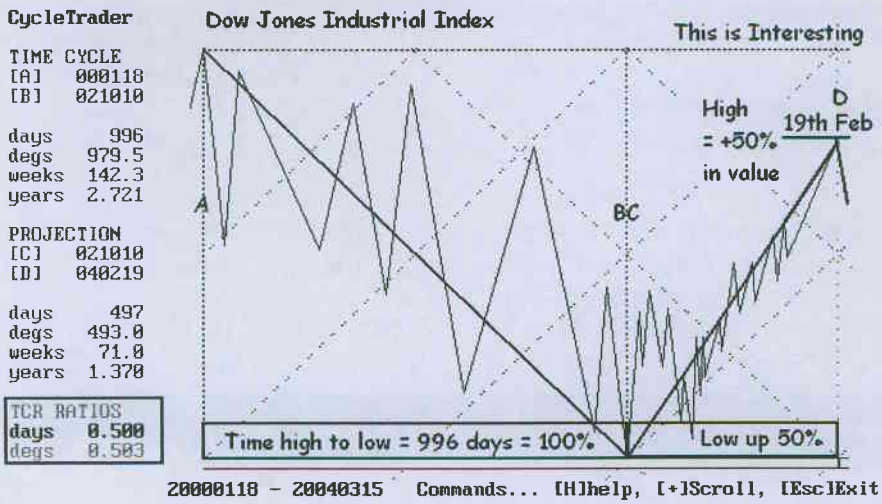
Be prepared.

Next week is the March equinox and the 4th anniversary of the March 2000 S&P high. There are a couple of other important anniversary dates as well where the S&P made important sentiment swings in 2001 and 2002.

There was something else I meant to tell you:

Back before the S&P500 finally made its recent high there was evidence from the DJIA that an important time cycle in US stocks was present.

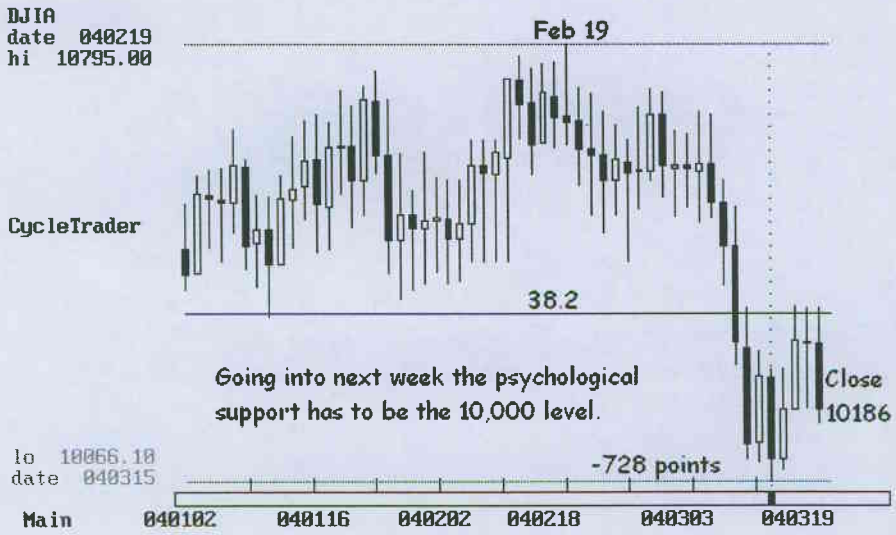
The picture says it all.



50% of the time down would have been 498 days up – the recent high on the DOW was 497 days up from the October 2002 low.

The DOW increased in value from the October low 50.3% in this time period.

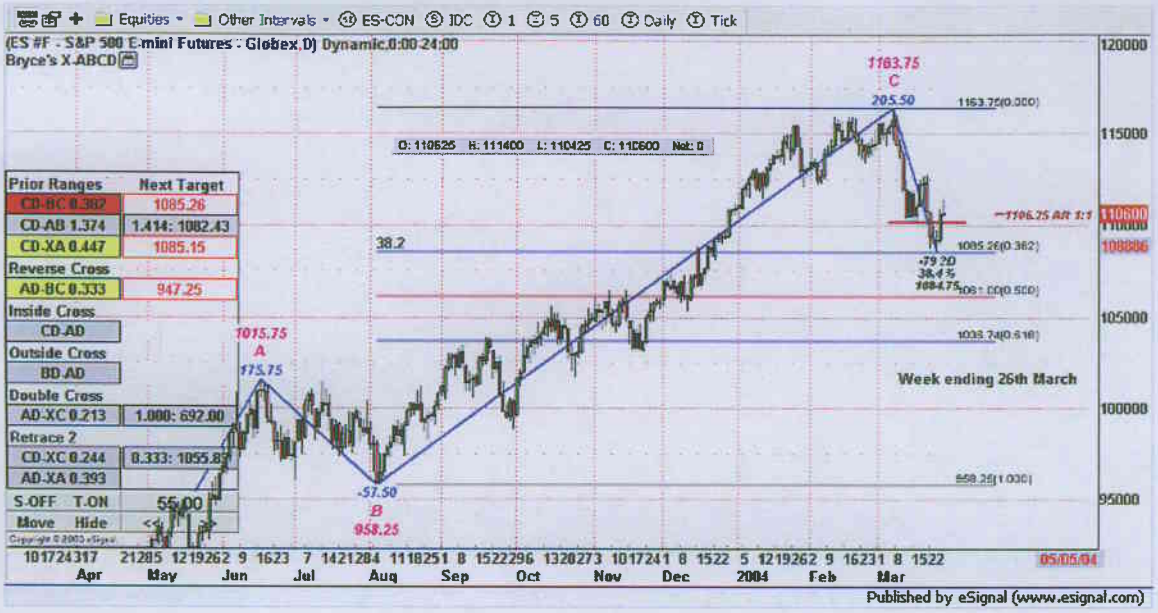
Here we are now:



I guess my main point in showing you this is to say that if 10,000 DJIA breaks down and 1100 SP breaks down – we could assume this correction phase will take sometime to resolve itself. If not we maybe just stuck in a trading range. I'll tell you what happens before I publish this edition of the course. ☺

Week ending 26th March 2004:

This week developed into a mixed bag – first down and then up, finishing back nearly where we closed on the previous Friday.



Monday started off with a gap down to test the 1101 lows and promptly broke down. Tuesday the market made several attempts to get back through the 1100 and failed on each occasion, this resulted in a huge sell off late in the day. Wednesday after some to and fro the market reversed direction back up from a major degree 38.2 retracement level. By the end of the day, even after a sharp rally it closed down on the day. Thursday's trading began with a gap up opening which they couldn't fill and finished the day above the 1101 resistance. This more or less validated the 38.2 reversal as a change in trend. Friday the market was generally up most of the day, but in the last two hours or so came back 8.75 off the days high closing unchanged on the day and unchanged for the week.

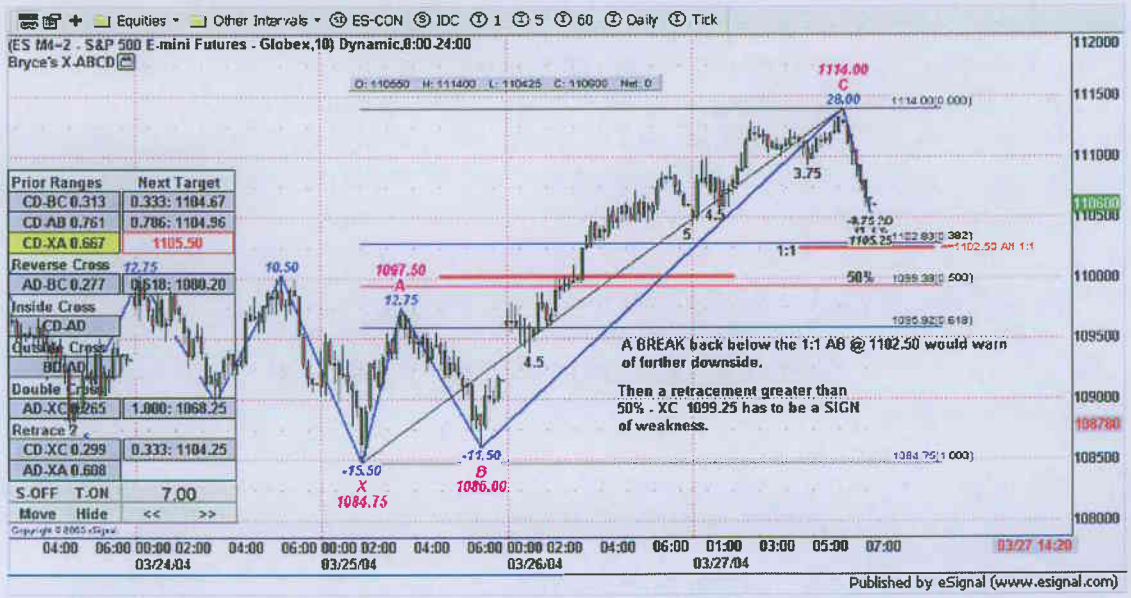
The rally high on Friday reached within 2 ticks of a 38.2 retracement back up of the 1162.75 high and 1084.75 low range. But the rally exceeded a 1:1 of the previous correction last week by 3.75. 29.25 versus 25.50

I was thinking on Friday that the 1:1 (1110.25) would have been an excellent short and it did look like a chance for a while. But in the end the market could not overbalance the previous smaller corrections it had made on the rally up.

I have a friend from Germany visiting with me and he is continually asking me questions. One thing I have been trying to explain to him this week is that you can only be guided by what the market actually does and that is why it doesn't pay to forecast. It is always better to just take it one day at a time.

As we go into next week we now have the market sitting above 1100 but under a 38.2 retracement of the current decline. But we have also been rallying from a major degree 38.2 retracement and exceeded the 1:1 Alt.

Who wants to make a forecast?



On this chart X, A, B & C are established. D is subject to change. The point D is 8.75 down from C. AB = 11.5.
So a 1:1 Alternate Wave CD of AB lies at 1102.50
There's a 38.2 of XC at 1102.75
A 50% retracement of XC (3 day range) is at 1099.50
And the psychological or natural support is 1100

If the market breaks below 1099 it would look bearish otherwise it is not.

Week ending 2nd April 2004:

This week the market opened at 1112.5 on a gap (low for the week) and finished at 1142 after making a high of 1145 on Friday.

DAILY ES CONTINUOUS

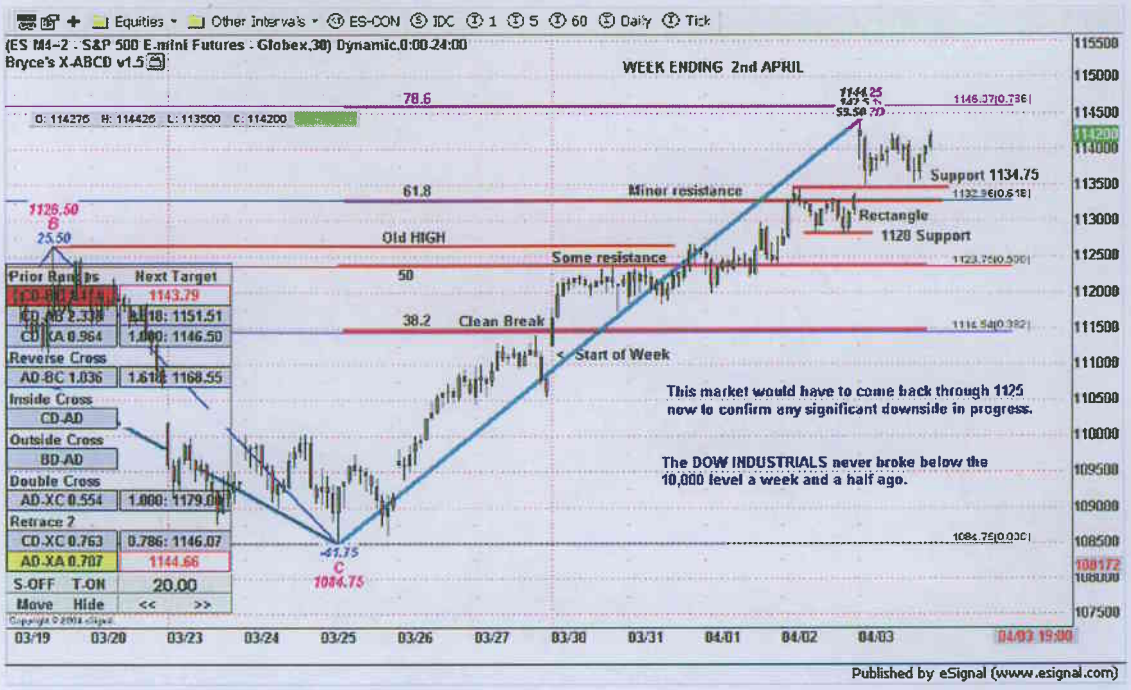
1145 represents a 76.4 (2x38.2) retracement of the 1163.75-1084.75 range.

Throughout this week the market continued to feed on the bullish sentiment that abounded. There were no negative economic reports to talk about and on Friday the March employment report came in with an increase of 308,000 jobs for the period. This report was released at 8:30am ET and the Globex market rallied strongly making the 1145 high in advance of the day session opening.

Friday's trading range was a mixed affair with a 10-point range – down – up – down and then up to finish the day. As we came into the last 90 minutes of the session traders bought the market off a double bottom on the day. There were not a lot of traders who wanted to be short over the weekend.

If you look back on the week you will see that the upward trend was confirmed each step of the way. First off on Monday it took out the 38.2, then after a pause at the 50 broke through Tuesday. The next resistance was the old 1126.5 high that held up progress for a while. Thursday when it tested the 61.8 it went straight through but did reverse a little higher, then it went sideways for the rest of the day. Friday we know about already.

As we go into Monday we are left with support at 1134.75 (Thursday's high) and 1135 (Friday's low). The action on Friday has left a gap to be filled.

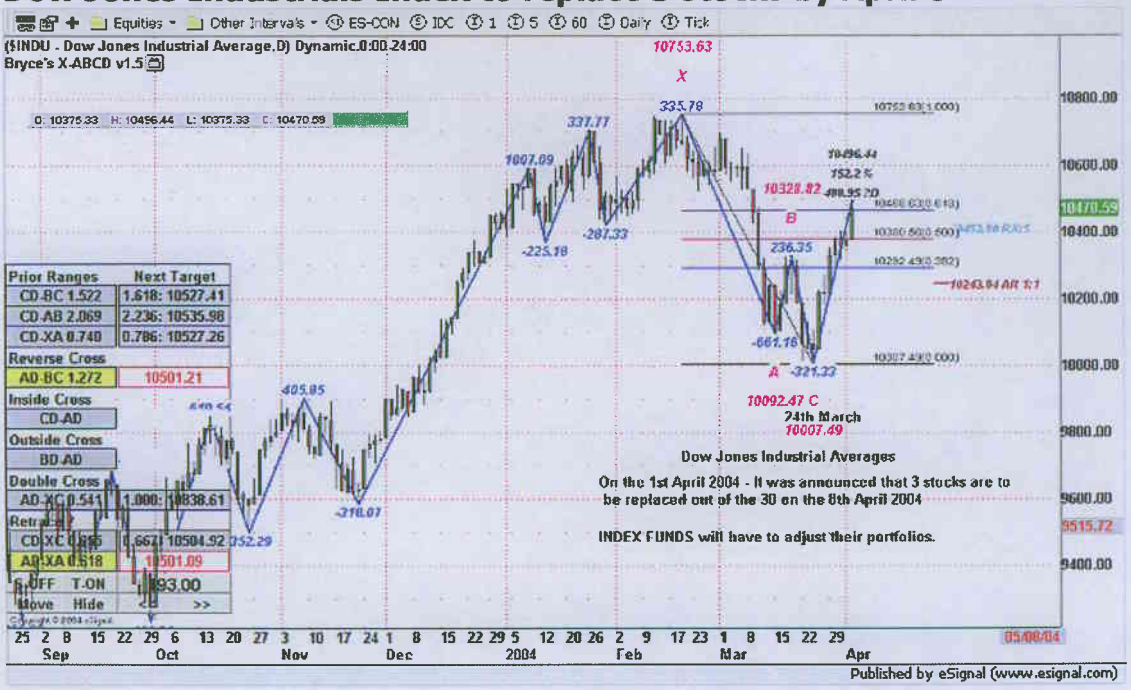


I've marked the following supports 1134.75, 1128 and 1125 that would need to be broken to indicate a reversal of this upward trend that has been in progress for over a week now. On the high side we have the 1163.75 high not far away which would certainly attract selling if we got there.

As I have said so many times before I am not making a forecast. Nevertheless the jobs report on Friday (if it is correct) gives hope to a continuing recovery in the US economy. Employment numbers has long been the subject of discussion for the past year. Just the same the US economy still needs to create 3,000,000 more jobs to get back to where it was when President Bush was elected. So there could be a few disappointments in store for investors in the months ahead. I always take the view that it is better not to count your chickens until they hatch.

It won't really matter what the S&P eventually does in any case. Just so long as each day it continues to go up and down and create regular trading opportunities. Some things don't change and each day it just offers the chance of making easy money.

Dow Jones Industrials Index to replace 3 stocks by April 8th:



The NYSE advised on the 1st April that it would be replacing 3 stocks in the DJIA index. The new stocks entering the DJIA index now have a much greater capitalisation value than those stocks being removed from the index. It is hard to say how much this would affect the value of the index unless they adjust it to fit the changes. Nevertheless, INDEX FUNDS will have to adjust their portfolios by buying the new stocks and selling out of the old ones. This could have a bullish implication for the DJIA over the next week or so.

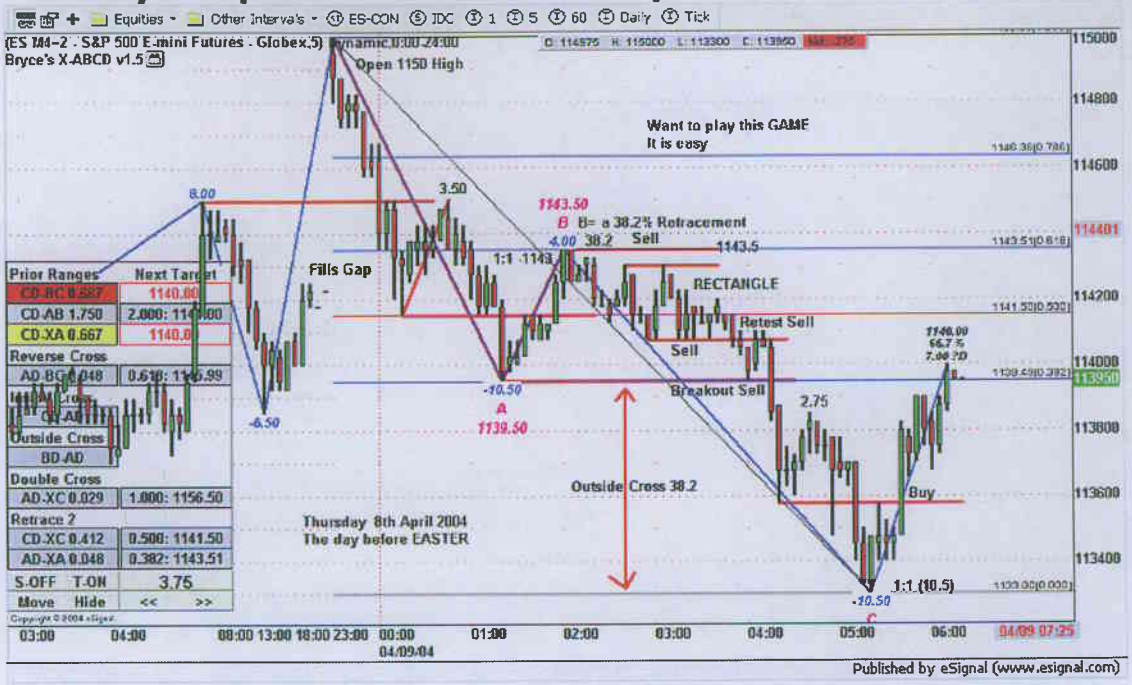
Back about two weeks ago, on page 25 of this appendix, I did mention that the DJIA was trading just above the 10,000 level when we were in the recent decline. The 10,000-level was then viewed as a psychological support of some significance. The DJIA did not trade below 10,000 before this current rally we are experiencing so it has to be viewed as an important level in the future. By that I mean, if the DJIA were to break below 10,000 it would be perceived as a bearish signal for the longer-term position holders. So for now we can use this as a guide to the current state of strength or weakness.

Week Ending 8th April 2004 – Easter Holidays:

This week started with a rally to a new high of 1149.75, then sideways for two days. Thursday the market opened on a double top with a high of 1150 after some good profit reports were released and no really negative economic news. But then it just traded down on low volume for most of the day in a controlled technical manner.

You should study the 5 minute chart for Thursday as it only goes to reiterate all the things I have been teaching you in this course.

Thursday 8th April 2004: Easter Thursday



Today's sell off begins from a double top with Monday and fills the gap left from the close of Wednesday. A weak rally back up to where it broke the support from the prior high on the way down followed by another sell off. I couldn't see a lot of reasons for the support at 1139.5 but the rally that followed stopped dead at the 38.2% retracement of the days range to date offering a clear cut selling opportunity. What followed was a sideways market forming a RECTANGLE on low volume and setting up another selling opportunity. The initial break of the rectangle tested the prior low for the day at 1139.5 and they bought it back to retest the breakout. When they couldn't get it back inside the rectangle it became a clear-cut sell once again and they hammered it down to new lows for the day. There was another short covering rally of 2.75 points that didn't make a lot of sense but the target had to be 10.5 down from the 38.2 point at 1143.5 and as it turned out the decline terminated exactly at 1133 setting off a rally that lasted for the rest of the afternoon.

As for the week we finished only 2 points down from last Friday's close with a range of 17 points for the week. We certainly haven't seen any sign of weakness to speak about this week. But then we haven't seen much strength either. As I said last week what's it matter anyway, just so long as it goes up and down for us each day.

I was trying to round off this course with clear longer-term technical picture of the US stock market but it seems to me that we are stuck in a trading range right now. I see this week that the perennial bear Robert Miner was at it again with a prediction two weeks ago the S&P would top out between 1125 and 1147 in a "B" wave of major degree. One of his subscribers joined my TTW group this week and wanted to know my opinion.

Well, for all the good it will do anyone I am teaching to day trade, does it matter? It really doesn't matter to me what the market does long-term. Just as long as it stays open will be good enough for me.

You never know but this market maybe forming a head and shoulders top pattern or it could be setting itself up for another advance. Two things are obvious.

1. The high at 1163.75 is a 50% retracement of the completed bear market from 2000-2002.
2. The low at 1085 is a 38.2% retracement of all the gains from the advance that began in August of 2003.

The best advice I could give anyone is to just take it ONE DAY AT A TIME.

Follow my rules and apply my logic to the market and you will be fine. As soon as you learn to do your own work and forget about what the so-called "Guru's" are saying the sooner you will be able to make consistent money trading.

Trading is just a job to me now, well maybe it is more than that – it has become a way of life. I feel that by having written this book I am giving something to the future I can be proud of. I hope all those people who buy this book get out of it what I intended.

Good luck with it.

Bryce T. Gilmore
10th April 2004

Epilogue:

Now that I have completed this manual to the best standard I can relate to I would like to mention a few things I am grateful for.

Over all the years I have been involved in this business of trading I owe my continued success to the people I have met along the way who encouraged me to think. Trading commodity futures and mixing it with the smartest minds in the World is a thinking man's business.

My students have come from a wide variety of occupations, some have been traders but many have just been normal people who wanted to learn how to trade and asked me to help them.

In the process of them asking me questions all the time on the various aspects of my trading approach they also helped me understand the difficulties newcomers have when they try to enter a new profession.

Several years back, when I first promoted an Internet site "Club 144" for students of my software and books, people who wanted to learn and needed a teacher. I attracted a new breed of students. From my interaction with these students I soon became aware how others were overlooking some of the simplest of things I was using to make money.

Many of the things I have explained in this text are not new. Many of them are taken for granted today by professional traders. Nevertheless I have developed some refinements to give me a better edge in the long run. But the main thing I have done is to prioritise an order in my approach.

The common problem I have found with most newcomers was their inherent fault for complicating everything.

Trading is not a complicated occupation! Trading is a simple matter of identifying an opportunity and taking it. If it works like it should you make money. If it does not work you take a small loss, get out and start again.

Once you can understand there are certain situations that open up a window of opportunity and offer you a chance to profit you take them and as soon as the window closes you get out and go back to the drawing board; then you will be Trading to WIN.

There is no room for fear, hope or greed, or what might have been in my equation. Each day is a new day and you just take it as it comes. To do otherwise will only lead you into bad habits and unprofitable trading.

Bryce T. Gilmore.